Color & Comfort by Chemistry

DIC Annual Report 2013

Fiscal period ended December 31, 2013

DIC Corporation

One of the world's leading diversified chemicals companies, DIC Corporation is also the core of the DIC Group, a multinational organization encompassing more than 170 companies in 62 countries and territories worldwide. Established in 1908 as a manufacturer of printing inks, DIC has capitalized on its extensive technologies, know-how and experience in the years since to transform itself into a global powerhouse in key fields of endeavor. Today, DIC and the companies of the DIC Group supply an extensive lineup of distinctive products in four business segments: Printing Inks, Fine Chemicals, Polymers and Application Materials.

Now in its second century in business, DIC is redoubling its efforts to develop and market innovative, high-performance products that respond to market needs, in line with its "Color and Comfort by Chemistry" management vision. A responsible corporate citizen, DIC is also committed to helping realize global environmental and social sustainability.

Effective from fiscal year 2013, the DIC Group changed its fiscal year-end from March 31 to December 31. Accordingly, fiscal year 2013, ended December 31, 2013, was a transitional irregular nine-month period.

The DIC WAY

MANAGEMENT VISION

Color and Comfort by Chemistry

The DIC SPIRIT

Enterprise
Integrity
Diligence

CORPORATE VALUES

Through unceasing innovation, the DIC Group strives to create new value directed at sustainable development for its customers, society and the environment.

PRINCIPLES OF CONDUCT

- We shall hone our sensitivity to changes in society and be aware of our mission to always be ahead of the times.
- We pledge to incorporate the concepts of social and environmental sustainability into our corporate activities.
- We vow to strive constantly to hone "The DIC SPIRIT."
- We shall respect the autonomy and initiative of each individual employee in applying his or her talents to the pursuit of our values and the realization of our vision.

Contents

Disclaimer Regarding Forward-Looking Statements

Statements contained herein concerning plans and strategies, other expectations or projections about the future, and other statements except for historical statements are forward-looking statements.

These forward-looking statements are subject to uncertainties that could cause actual results to differ from such statements. These uncertainties include, but are not limited to, general economic conditions, demand for and price of DIC's products, DIC's ability to continue to develop and market advanced products, and currency exchange rates.

DIC disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

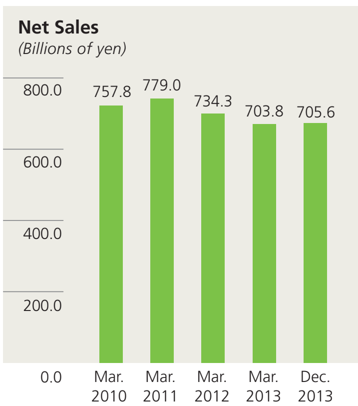
1 Consolidated Financial Highlights

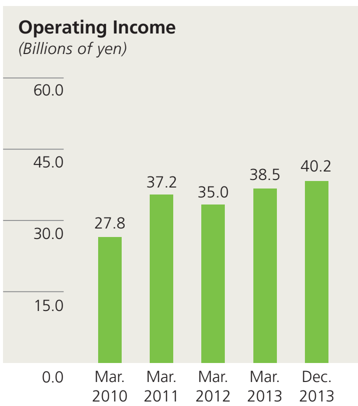
DIC Corporation and Consolidated Subsidiaries
Period ended December 31, 2013 and years ended March 31, 2013 and 2012

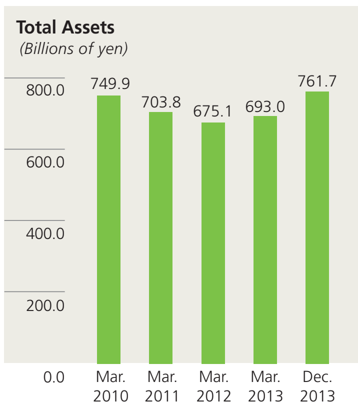
			Millions of yen
	Dec. 2013	Mar. 2013	Mar. 2012
Net sales	**¥705,647**	¥703,781	¥734,276
Operating income	**40,181**	38,484	34,960
Income before income taxes and minority interests	**40,116**	34,206	27,079
Net income	**26,771**	19,064	18,158
Total property, plant and equipment	**233,759**	214,043	202,825
Total net assets	**218,947**	160,731	124,496
Total assets	**761,690**	692,991	675,067
			Yen
Earnings per share (Note 2):			
Basic	**¥29.23**	¥20.80	¥19.79
Diluted	—	—	—
Cash dividends per share applicable to the period (Note 3)	**6.00**	6.00	4.00

			Thousands of U.S. dollars (Note 1)
	Dec. 2013	Mar. 2013	Mar. 2012
Net sales	**$6,720,448**	$6,702,676	$6,993,105
Operating income	**382,676**	366,514	332,952
Income before income taxes and minority interests	**382,057**	325,771	257,895
Net income	**254,962**	181,562	172,933
Total property, plant and equipment	**2,226,276**	2,038,505	1,931,667
Total net assets	**2,085,210**	1,530,771	1,185,676
Total assets	**7,254,190**	6,599,914	6,429,210
			U.S. dollars (Note 1)
Earnings per share (Note 2):			
Basic	**$0.278**	$0.198	$0.188
Diluted	—	—	—
Cash dividends per share applicable to the period (Note 3)	**0.057**	0.057	0.038

Notes: 1. Yen amounts have been translated, for readers' convenience only, at the rate of ¥105 to US$1, the approximate rate of exchange at December 31, 2013.
2. The computation of earnings per share of common stock has been based on the weighted-average number of shares issued and outstanding during each fiscal year.
3. Cash dividends per share have been presented on an accrual basis to correspond to the related earnings.
4. In order to align the fiscal year-end with that of its consolidated subsidiaries overseas, DIC changed its fiscal year-end from March 31 to December 31. As a result, the period ended December 31, 2013, was a transitional irregular nine-month period, comprising the nine months from April to December for DIC and its subsidiaries whose fiscal year-end was previously March 31 and the 12 months from January to December for its subsidiaries whose fiscal year-end is December 31.







In April 2013, we embarked on a new medium-term management plan, dubbed DIC105, which will guide our efforts through fiscal year 2015, ending December 31, 2015. In line with the plan's slogan, "Step Beyond," which evokes our determination to set DIC on a new, forward-looking path, we are implementing crucial measures aimed at achieving the plan's target for operating income—a record high of ¥60.0 billion—in the plan's final year. With our sights set firmly on this goal, we are rallying our strengths to boldly push boundaries and drive DIC forward.

Operating Results in Fiscal Year 2013

With the U.S. economy on a gentle upswing, fiscal year 2013 brought clear indications of a global economic recovery, despite the fact that improvements in Europe lacked strength. In key emerging economies, namely, the People's Republic of China (PRC) and India, growth continued to slow, but signs of a gradual return to economic health were evident from the second quarter on. In Japan, government economic policies—dubbed "Abenomics" after the current prime minister, Shinzo Abe—continued to support a weak yen and strong share prices. Against this backdrop, results in core industries, notably automobiles, civil engineering and construction, were firm.

In this environment, consolidated net sales rose 12.8%, to ¥705.6 billion. Operating income, at ¥40.2 billion, was up 15.5%, bolstered by rationalization measures, sales price adjustments and the sagging yen, among others. Ordinary income advanced 15.1%, to ¥37.1 billion. Net income increased 51.6%, to ¥26.8 billion.

Looking Ahead

Despite concerns regarding the impact of a consumption tax hike, growth in the Japanese economy is forecast to continue through fiscal year 2014. Overseas, the economies of the United Sates, Europe, the PRC and India are seeing moderate growth. Accordingly, the recovery in our operating environment is expected to gather strength. In our second year under DIC105, we will step up efforts to implement the central strategies of the plan, which include restructuring our printing inks businesses in North America and Europe and expanding businesses that will drive growth. We will also work to expand sales of high-value-added products and to achieve further cost reductions. As of the date of publication of this annual report, we forecast increases in both consolidated net sales and operating income.

Having paid an interim dividend of ¥3.00 per share, we also declared a year-end dividend of ¥3.00 per share for fiscal year 2013. In fiscal year 2014, we plan to maintain interim and year-end dividends at ¥3.00 each, for an annual dividend payment of ¥6.00 per share. It is our basic belief that we have a dual responsibility to ensure stable management fundamentals and to enhance returns to shareholders. Accordingly, in addition to working tirelessly to improve internal reserves, we endeavor to maximize those reserves to reinforce our financial health, thereby positioning us to bolster future returns to shareholders.

On behalf of the management and employees of DIC, I thank our stakeholders for their support to date. We look forward to your continued guidance and input.

Yoshiyuki Nakanishi
Representative Director, President and CEO
DIC Corporation

Note:
Effective from fiscal year 2013, the DIC Group changed its fiscal year-end from March 31 to December 31. Accordingly, fiscal year 2013 was a transitional irregular nine-month period. For the purpose of comparison, fiscal year 2012 results have been adjusted to represent the same nine-month accounting period as fiscal year 2013. Percentage increases and decreases thus indicate changes from the adjusted fiscal year 2012 results.

Q: How do you evaluate your performance in the first year of DIC105?

A: Operating income in fiscal year 2013 totaled ¥40.2 billion, recovering to a level not seen since about 2007, before the collapse of Lehman Brothers. Our operating margin reached 5.7%, which is a record high. While not uniform across all businesses, the depreciation of the yen had a generally positive impact on our performance. All in all, these results are evidence that we got off to a reasonably strong start in the first year of the plan. While there are concerns regarding the impact of a consumption tax hike, growth in the Japanese economy is forecast to continue through fiscal year 2014. Overseas, the U.S. economy has picked up and conditions in Europe are recovering slowly but surely. Accordingly, business opportunities for the DIC Group will be plentiful, despite slowing growth in emerging economies.

Q: You achieved the target set forth in DIC105 for improving financial health well in advance. What can you tell us about this?

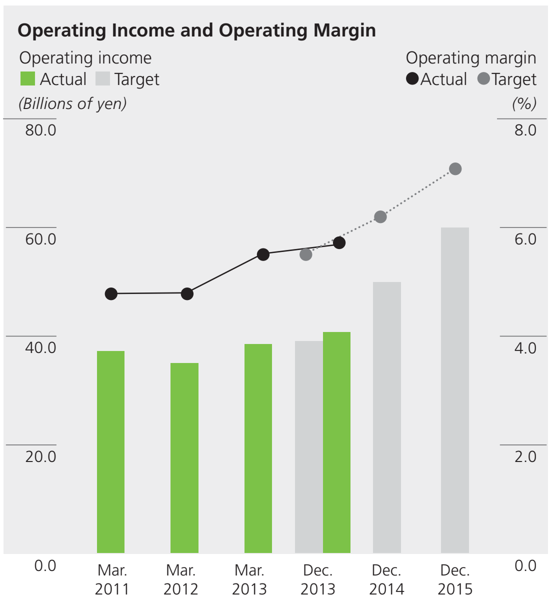
A: Thanks to steady improvements in our operating performance, as well as to such factors as extraordinary income from the sale of a piece of artwork, we succeeded in reducing our debt-to-capital ratio to 57.7% as of December 31, 2013, thus achieving our original DIC105 target for fiscal year 2015 (58%) a full two years ahead of schedule. Looking ahead, we will take steps to further slash debt with the aim of lowering our debt-to-capital ratio to 50% by the end of fiscal year 2018.

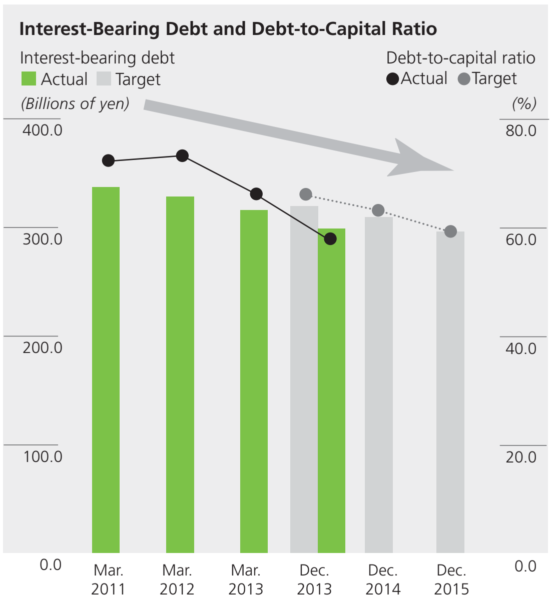
Q: One of the central strategies of DIC105 is to restructure your printing inks businesses in North America and Europe. How is this proceeding?

A: In fiscal year 2014, we will embark on a full-scale realignment of our North American and European printing inks production facilities. To date, measures have been limited to the closure of a few smaller plants, but we will now turn our attention to closing a number of mainstay facilities. By shrinking our overall production capacity, we aim to lift operating rates at publishing inks mother plants substantially. We expect the realignment of these facilities to begin contributing to profits in fiscal year 2015.

Q: Can you update us on efforts to expand businesses that will drive growth?

A: In the area of liquid crystals (LCs), in fiscal year 2013 we commenced full-scale shipments of thin-film transistor (TFT) LCs—already firm to customers in





Note: Effective from fiscal year 2013, the DIC Group changed its fiscal year-end from March 31 to December 31.

the Republic of Korea (ROK), Taiwan and Japan—to the PRC, as a result of which we saw a significant increase in our customer base. Looking ahead, we will capitalize on our new production facility in the PRC to lock in demand from local liquid crystal display (LCD) manufacturers and expand sales. We expect to launch in-plane switching (IPS) LCs early in fiscal year 2014. In pigments for color filters, we broadened our portfolio—previously centered on green pigments—by modifying technologies to facilitate the production of blue pigments that deliver superior brightness and contrast, enabling us to gradually strengthen our share of this key market. In polyphenylene sulfide (PPS) products, we established a global production configuration in response to rising demand, positioning us to make further inroads into the global market. For the foreseeable future, we will concentrate on exporting products to the PRC, as well as to North and Central America, to increase our share of these key markets, although we will also look at measures to expand this business, including localizing our production of PPS compounds.

Q: Another focus of DIC105 is the creation of next-generation businesses. What progress have you made on this front?

A: We continue to promote R&D in line with key next-generation themes, including materials for printed electronics, heat-resistant and heat-dissipating materials and gas barrier adhesives, and at the same time to seize on promising opportunities for commercialization. Through these efforts, we intend to create several viable new businesses by fiscal year 2015 that will qualify as growth-driving businesses in our next medium-term management plan, which will begin in fiscal year 2016. We expect that these businesses will contribute substantially to profits by about fiscal year 2018.

Q: The Polymers segment seems to be stagnating. Why is this?

A: This is attributable to a number of factors. One is that a significant number of segment products are for use in electrical and electronics equipment, the market for which remains torpid. Another is that the principal customers for our polymers have changed and are now companies based elsewhere in Asia rather than Japanese companies. To date, our biggest selling point has been our technological capabilities, as a result of which we have focused on providing high-value-added products. Going forward, we will step up efforts to lock in demand from non-Japanese customers by reinforcing our competitiveness, including in the area of cost. We will also augment our portfolio with strategic offerings that enable us to establish a firm position in the market for middle- to high-end products.

Q: In closing, is there anything in particular that you would like to say to stakeholders?

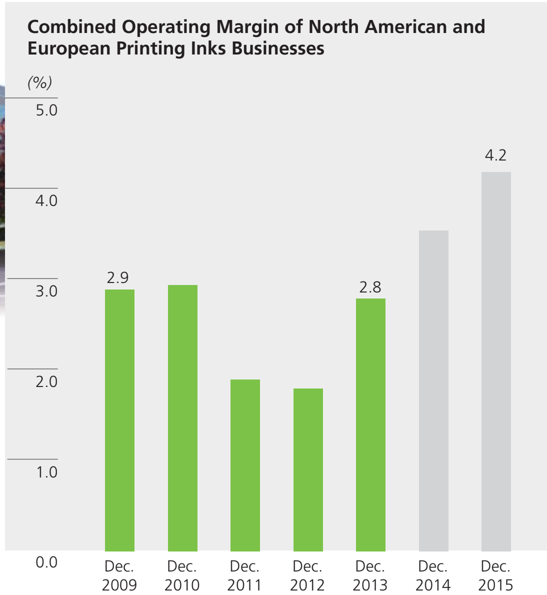
A: With our sights set on achieving operating income of ¥60.0 billion in fiscal year 2015, the final year of DIC105, the employees and management of the DIC Group will rally their strengths to address the challenges ahead. The ongoing support of stakeholders is crucial to the success of these and all our efforts.

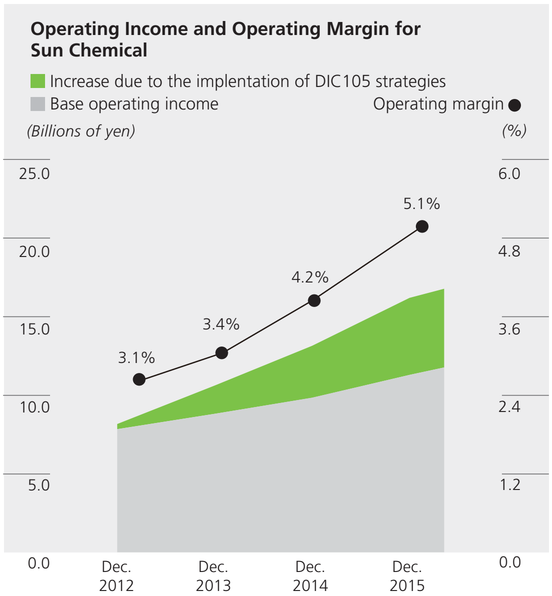
Restructuring Printing Inks Businesses in North America and Europe

Subsidiary Sun Chemical's global headquarters (New Jersey, U.S.A.)

Under DIC105, we are taking far-reaching, decisive steps to restructure our printing inks businesses in North America and Europe—the world's largest markets for these products—with the goal of lifting our operating margin in these regions to 4.2%.

Efforts in fiscal year 2013 emphasized the closure of small and medium-sized production facilities. In fiscal year 2014, which we view as the critical phase of the plan, we will begin closing our publishing inks mother plants, part of a planned reorganization of our global production network that focuses on facilities in North America and Europe. By shrinking our overall production capacity, we aim to lift operating rates at these facilities substantially. In contrast, we will invest boldly in our packaging inks business in both regions to capitalize on a projected increase in global demand of close to 6% over the next three years. In particular, we will take steps to strengthen our production capabilities in Europe and South America. In January 2014, wholly owned subsidiary Sun Chemical Group Coöperatief U.A. acquired the stake held by partner Inversiones Mundial S.A., a Colombian coatings and chemicals manufacturer, in joint venture Tintas S.A., a manufacturer of liquid inks for packaging applications that boasts a leading market share in the Andean region, which encompasses Colombia, Ecuador, Peru and Venezuela. As a result, Tintas became a wholly owned subsidiary of Sun Chemical.





We aim to achieve a cumulative increase in operating income of ¥10.0 billion through restructuring, as well as to lift Sun Chemical's operating margin to 5.1%, from 3.1%.

Expanding Businesses that will Drive Growth

DIC105 calls for us to focus our allocation of management resources in three key forward-looking businesses: TFT LCs, pigments for color filters and PPS products.

TFT LCs

Promising developments in this area include the start of operations at a new plant in Qingdao and the launch of p-type LCs.

At present, we are one of the world's three leading manufacturers of TFT LCs. As part of an effort to grow this promising business, in November 2013 we commenced operations at a new TFT LC production facility in Qingdao, in Shandong Province. Full-scale production at the facility is scheduled to begin in spring 2014, with the plant expected to be operating at full capacity by the end of 2015. Our TFT LCs enjoy a solid reputation for outstanding quality and for offering a good balance between quality and price. The first company to manufacture TFT LCs in the PRC, we also have an R&D base adjacent to our new Qingdao plant and produce certain key raw materials locally. This gives us a clear advantage by positioning us to respond swiftly and flexibly to the evolving quality and supply expectations of customers from raw materials through to finished products.

DIC's new TFT LC production facility in Qingdao

While our TFT LC lineup centers on n-type TFT LCs, used principally in flat-screen televisions. In mid-2014, we will begin also manufacturing p-type TFT LCs, which are used in most smartphones and other mobile communications devices. P-type TFT LCs are also used in around 40% of all flat-screen televisions, so augmenting our lineup thus will give us access to approximately 50% of the global market for TFT LCs, including that for mobile communications devices.

Capitalizing on the potential of LC materials is a key focus of DIC's R&D

Pigments for Color Filters

Already a leader in the market for green pigments for color filters, our share of the global market for blue pigments for this application has risen to approximately 30%.

We manufacture green pigments for use in the formulation of pixels in color filters for LCDs. Our innovative green pigments feature a molecular structure that is radically different from conventional green pigments and which achieves excellent brightness and contrast, outperforming the industry average by more than 10% on both scores. In addition to improving LCD picture quality, these pigments help reduce power consumption. The outstanding performance of these pigments has boosted our share of the global market for green pigments for this application to somewhere between 70% and 80%. Over the past two years, we have also succeeded in developing blue pigments for color filters that deliver superior brightness and contrast, helping to increase our share of the global market for these products to approximately 30%. Looking ahead, we will continue working to ensure an overwhelming competitive edge in the markets for green and other pigments for color filters with the aim of expanding our lineup of exclusive, high-performance products.

DIC is renowned as a manufacturer of high-performance green pigments for color filters

PPS Products

We have expanded our annual production capacity to around 20,000 tons for PPS polymer and to 33,000 tons for PPS compounds.

PPS compounds are manufactured by reinforcing PPS polymer with glass fibers or inorganic fillers. In addition to outstanding heat resistance and strength, PPS polymer boasts excellent dimensional stability, properties that have bolstered demand for use as an alternative to metal materials, particularly for use in automobiles, electrical and electronics equipment and household products. From 2011 through 2013, we invested approximately ¥10.0 billion to increase our global PPS polymer and compound production capacity. Of this, around ¥8.0 billion was allocated to expand PPS polymer production lines at our Kashima Plant, in Japan, boosting the facility's annual capacity to around 20,000 tons. Another ¥20.0 billion was used to increase the annual capacity of our PPS compound production facilities in Malaysia and Austria to 33,000 tons. With a view to further enhancing our capacity for PPS compounds, we are also considering further investments in the PRC and the Americas. Through these and other efforts, we aim to boost our share of the global market for PPS compounds from 25% to 30% by fiscal year 2015.

PPS polymer production facility at DIC's Kashima Plant

Principal Products

Printing Inks

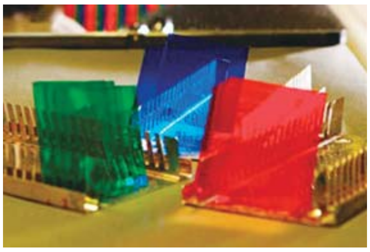


Printing inks

•Offset inks •Gravure inks •Flexo inks •Can coatings •News inks •Packaging adhesives •Presensitized (PS) plates •Printing supplies

Fine Chemicals





Fine chemicals

•Organic pigments for printing inks •Organic pigments for coatings and plastics •Organic pigments for color filters •Thin-film transistor (TFT) liquid crystals (LCs) •Supertwisted nematic (STN) LCs •Alkylphenols •Metal carboxylates •Sulphur chemicals (lubricant additives)

Polymers



General and specialty polymers

•Synthetic resins for inks and coatings, molded products, adhesives and textiles (polyurethane, epoxy, polystyrene, polyester, acrylic and phenolic resins, plasticizers) •Papermaking chemicals

Application Materials



Liquid compounds

•Ultraviolet (UV)-curable coatings and bonding adhesives for optical discs •Jet inks •Wood finishes

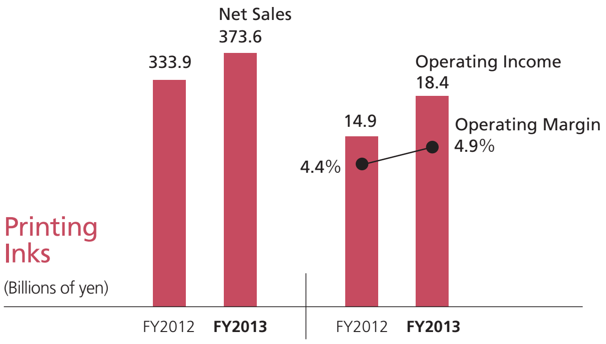
Solid compounds

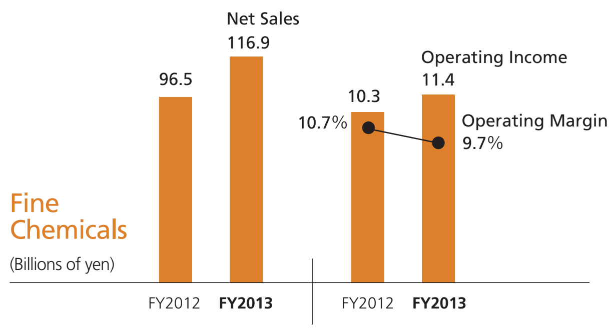
•Plastic colorants •Polyphenylene sulfide (PPS) compounds •High-performance optical materials •High-performance compounds •Coextruded multilayer films •Toners

Processed products

•Decorative boards •Interior housing products •Industrial adhesive tapes •Labels •Stickers •Label stock for printing •Specialty magnetic foils •Plastic pallets •Containers •Hollow-fiber membranes •Hollow-fiber membrane modules •Bathtubs and bath units •Synthetic marble •Sheet molding compounds (SMCs)

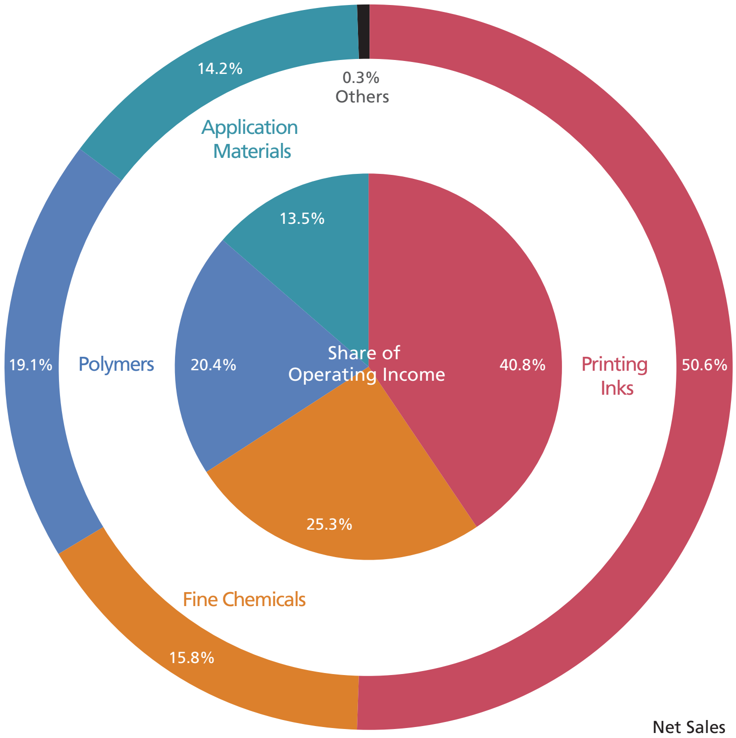
Fiscal year 2013 (period ended December 31, 2013) and fiscal year 2012 (year ended March 31, 2013)

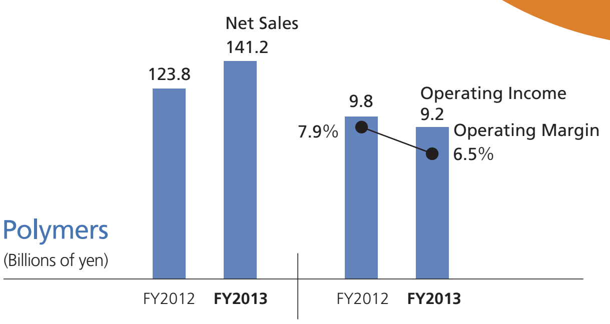


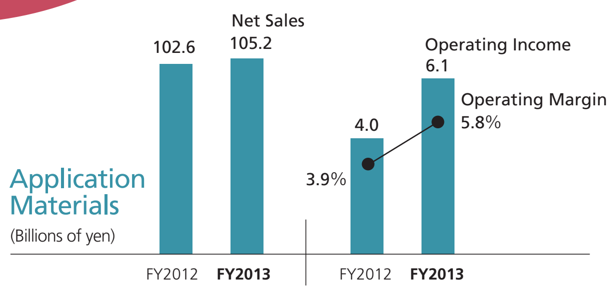


Fiscal year 2013
(period ended December 31, 2013)

Share of Net Sales







Notes: 1. Net sales and operating income as used here include intersegment transactions. For this reason, and because of the existence of transactions that are not attributable to reportable segments, these figures differ from the net sales and operating income figures presented in the Consolidated Financial Highlights on page 1.

2. Effective from April 1, 2013, DIC revised its segmentation in line with its medium-term management plan, DIC105. Certain figures for fiscal year 2012 have been restated to conform to the new segmentation.

3. In order to align the fiscal year-end with that of its consolidated subsidiaries overseas, DIC changed its fiscal year-end from March 31 to December 31. As a result, fiscal year 2013 was a transitional irregular nine-month period, comprising the nine months from April to December for DIC and its subsidiaries whose fiscal year-end was previously March 31 and the 12 months from January to December for its subsidiaries whose fiscal year-end is December 31.

With the aim of realizing our Color and Comfort by Chemistry management vision, we are actively building a portfolio of next-generation products and new technologies that will support sustainable growth. To this end, we are expanding and adding depth to our core technologies, including those in the areas of optics and color, organic molecular design, polymer design, dispersion and other technologies, and combining these technologies in innovative ways. Our R&D organization centers on the Technical Administrative Division, which is responsible for R&D connected directly to our businesses, and the Corporate R&D Division, which is charged with cultivating next-generation technologies, as well as with reinforcing and augmenting core technologies. In fiscal year 2013, we established a new commercial development center, an intermediate unit between the Technical Administrative Division and the Corporate R&D Division that is tasked with accelerating the commercialization of products combining multiple technologies and products developed by the Corporate R&D Division. To maximize global R&D resources, the Technical Administrative Division and the Corporate R&D Division also cooperate with DIC Graphics Corporation and other domestic Group companies; the Sun Chemical Group's research centers in the United States, the United Kingdom and Germany; and Qingdao DIC Finechemicals Co., Ltd., a corporate research facility in the PRC. Additionally, the Corporate R&D Division is accelerating collaboration with other companies, government bodies and academic institutions in the areas of investigative and basic research in a variety of next-generation technological spheres.

Recent Achievements

Printing Inks

In the area of offset inks, efforts in fiscal year 2013 focused on ultraviolet (UV)-curable inks that deliver outstanding sensitivity and printability and respond to the use of UV printing systems that use weaker UV irradiation or light-emitting diode (LED) lamps, thereby reducing consumption of electric power. In gravure inks, we commenced full-scale sales of a new line of inks for food packaging that maintains the superb image quality and suitability for high-speed printing of gravure printing and delivers an improved performance in terms of environmental and food safety, thereby responding to the needs of customers seeking to market their products worldwide.

Overseas, the Sun Chemical Group continued to conduct R&D aimed at developing new products and technologies in a variety of categories, including offset inks, flexo inks and gravure inks. In the period under review, Sun Chemical began marketing a line of laminating adhesives for packaging applications developed with technology provided by DIC. Sun Chemical and DIC also established a joint R&D scheme designed to make use of the distinctive capabilities of both companies to facilitate the development of, among others, offset inks for customers in other Asian markets and coatings with superior gas barrier properties.

Fine Chemicals

A key focus of efforts in this segment is the development of optronics materials suited for use in flat-panel displays (FPDs) and other items. In the organic pigments category, we launched a new blue pigment for color filters used in LCDs. We also worked to further enhance the performance of our green pigments for color filters, which are renowned for delivering outstanding brightness and contrast. In LC materials, we took steps to further improve the capabilities of our products for use in large-screen LCD televisions and continued to promote the development of new LCs for next-generation devices.

Polymers

Our emphasis in the area of synthetic resins is on developing environment-friendly UV-curable and waterborne products by capitalizing on related technologies. In the area of products that combine multiple core technologies, we began sample production of a UV-curable organic–inorganic hybrid resin that boasts excellent weather and abrasion resistance for use in hard coat materials. Achievements in resins for use in electronics materials included the development of a new epoxy resin that boasts low viscosity and a high glass transition temperature, as well as an active ester that boasts both outstanding thermal resistance and low dielectric properties. In the area of fluorochemicals, we commercialized a new product for which we succeeded in reducing metal impurity content to a single-digit parts per billion (ppb) level. The product has gained praise for use as a leveling agent in the fabrication of semiconductor wafers, among others.

Application Materials

In PPS compounds, we developed a molding compound that delivers improved thermal resistance and vapor barrier properties and is increasingly favored for use in electrical components for hybrid vehicles. In the area of processed products, we developed a carbon fiber-reinforced plastic (CFRP) sheet pile for use in tandem with conventional steel sheet piles. Going forward, we will work to expand sales of this innovative product, which has already been adopted for use in two public tunnel construction projects in Japan. In industrial-use adhesive tapes, we focused on developing a number of products that improve the performance of smartphones. These efforts yielded an antiscattering adhesive film, which leverages our exclusive hard coat technologies to prevent glass shards scattering in the event of screen breakage and also offers increased fingerprint resistance, as well as a waterproof double-sided adhesive tape and an ultrathin adhesive tape. In decorative boards, we developed an oilproof flame-retardant board that combines an attractive matte embossed finish with improved fingerprint resistance. In jet inks, the Sun Chemical Group launched new LED UV-curable inks.

DIC's Central Research Laboratories in Sakura, Chiba, Japan

Refining Our Focus

The DIC Group launched its corporate social responsibility (CSR) program in fiscal year 2007. In recent years, the need to achieve sustainability in a manner that takes into account, among others, the environment, ecosystems and socioeconomic issues, has gained increasing recognition worldwide. The DIC Group has consistently promoted a program of initiatives that reflect its awareness of these and other key imperatives. Having clarified its overall policy, effective from fiscal year 2014, the Group will change the designation used across its program from "CSR" to "sustainability," which it feels is more appropriate for a globally active corporate entity.

The DIC Group is dedicated to conducting its business while retaining a strong commitment to five key concepts: preserving safety and health, ensuring fair business practices and respect for human rights, maintaining harmony with the environment and advancing its protection, managing risks, and creating value for society through innovation. Through the unceasing implementation of initiatives in line with these concepts, the Group will strive to remain an organization that contributes to sustainable development for society and the global environment, as well as ensures its own sustainability, thereby earning the trust of its stakeholders.

Measures to Combat Global Warming

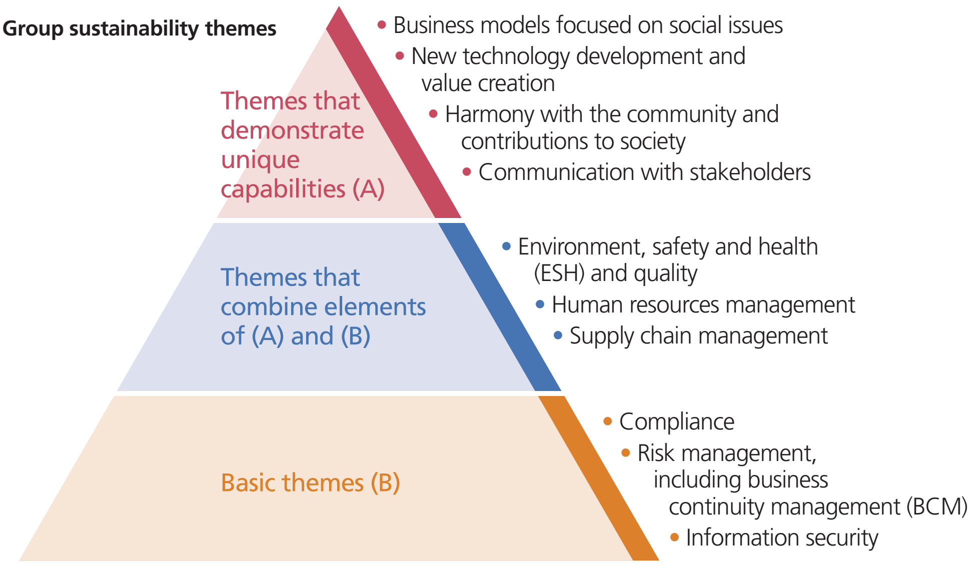
Having made a firm commitment to cutting emissions of greenhouse gases across the DIC Group, we take steps every year to reduce our energy use—the principal source of CO_2 emissions. To this end, we are promoting decisive, ongoing Groupwide energy-saving initiatives. These include introducing a system that provides visual clarification of energy use; implementing effective strategies across the Group through participation in working group activities; using energy-saving cogeneration, i.e., the simultaneous generation of heat and power; and making use of energy from renewable sources, notably biomass-derived energy, wind power and solar power.

At present, overseas DIC Group companies consume approximately 1.6 times more energy than their counterparts in Japan. Having introduced target-based management to assist the efforts of these companies to reduce energy, in fiscal year 2013 we commenced a full-scale program of energy-saving initiatives.

Initiatives Succeed in Reducing Energy Consumption at Domestic DIC Group Sites

In fiscal year 2013, energy consumption by the DIC Group in Japan per unit of production was down

Fiscal year 2014 DIC Group sustainability themes



1.8% from fiscal year 2012. A key factor behind this achievement was the use of oil byproducts from production processes to generate thermal energy at one of our plants, which enabled the facility to significantly reduce its purchases of fuel from third parties.

Kashima Plant Reports 6.1% Increase in Volume of Renewable Energy Generated

Thanks to the smooth operation of solar power generation equipment installed in fiscal year 2012, as well as to increased operating rates for its existing wind power generation equipment and biomass boilers, the Kashima Plant reported a 6.1% increase in renewable energy generated on-site compared with the previous fiscal year. At present, approximately 25% of the total volume of energy consumed by the DIC Group in Japan is generated independently. Approximately 8% of this portion is from renewable sources.

Objective

Prevent global warming and promote energy conservation

Achievements in Fiscal Year 2013

DIC Group (domestic)

(1) Reduced energy consumption per unit of production by 1.5% from the fiscal year 2012 level

(2) CO_2 emissions: 244,377 tons

Environmental Management Survey and CDP Rankings Rise Sharply

DIC was ranked 127th among 429 manufacturers (12th out of 69 companies in the chemicals industry) responding to the 17th Environmental Management Survey, an annual survey of listed companies conducted by Nikkei Inc., publisher of Japan's leading business daily, in January 2014. This marks a significant improvement from a year earlier, when we were ranked 271st among 438 manufacturing sector respondents. The survey analyzes the level of each company's environmental management from several perspectives—including systems for promoting environmental management and global warming countermeasures—to evaluate its ability to balance excellence in environmental management with the need to improve operating efficiency. In fiscal year 2013, the survey's assessment of our performance also recognized efforts to reinforce our global environmental management systems, including initiatives in Southeast Asia and the PRC, and steps taken to reduce CO_2 emissions.

We also saw a substantial increase in our Carbon Disclosure Project (CDP) climate change performance score in fiscal year 2013 to 88B, from 61D in fiscal year 2012. The CDP is an organization that works with institutional investors to encourage companies to formulate climate change strategies and to measure and disclose concrete information on greenhouse gas emissions.

Solar panels installed on the roof of DIC's Kashima Plant

Merger of Information Systems Subsidiaries Helps Facilitate Effective IT Governance

In the period under review, we also received an IT Management Award* from the Japan Institute of Information Technology (JIIT). In Japan, many companies develop their own information systems in-house. However, many companies have also chosen to spin their information systems development departments off as subsidiaries, which makes the enforcement of scrupulous IT governance groupwide a major challenge. To facilitate effective IT governance across the DIC Group, we have taken steps to strengthen the role of our information

IT Management Award certificate

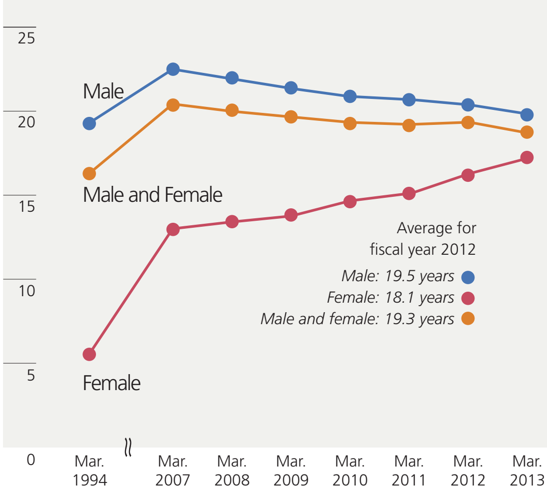
systems department in management, notably absorbing our information systems subsidiaries through a series of simple absorption-type mergers and concentrating investments on systems planning and design. This advanced approach was cited by JIIT as a key factor behind its decision to honor DIC with an award.

* *The IT Management Award honors companies that have made IT management an integral part of their corporate activities, thereby creating an effective tool that has helped them to transform their corporate culture and achieve dramatic improvements in productivity.*

Initiatives to Provide Greater Opportunities for Female Employees

Many Japanese companies recognize providing opportunities for female employees to excel as an important challenge. As part of our drive to ensure that DIC is a company where motivated employees can maximize their capabilities, we continue to promote a variety of initiatives aimed at providing greater opportunities for female employees. Since 2002, regular employees have had access to a system whereby they can limit the locations to which they will accept assignment. In fiscal year 2012, we expanded eligibility for this system to include management-level employees. This enables us to respond flexibly to the needs of management-level employees for whom reassignment and relocation are difficult as a result of childbirth, childcare or nursing care responsibilities, thereby helping them to achieve a healthy work–life balance. As a result, today there is almost no difference in the average length of service between male and female employees.

Average Length of Service for Employees



Note: Averages are calculated based on the number of individuals employed each year.

Expanding CSR Procurement

In response to the demands of customers, we have modified the CSR procurement questionnaire that we distribute to suppliers, making queries considerably more rigorous. Since 2010, we have assessed the CSR procurement status of more than 400 suppliers and provided feedback to surveyed companies, acting in line with the *DIC Group Supply-chain CSR Deployment Guidebook*. In fiscal year 2013, we revised the guidebook, introducing a number of new items to be checked, thereby expanding the scope of assessment. To facilitate use of the guidebook overseas, we have also produced English- and Mandarin-language versions, enabling us to broaden the scope of our efforts to include suppliers in the PRC and other areas in Asia. In fiscal year 2014, we will use the guidebook to once again assess the CSR procurement status of suppliers. We will also continue to visit certain suppliers to further evaluate their CSR procurement status, as well as to encourage awareness of related concerns.

Since 2013, we have also surveyed suppliers regarding conflict minerals, that is, minerals mined in conditions of armed conflict, human rights abuses and environmental destruction, principally in the Democratic Republic of Congo and its neighboring countries. This effort helps ensure compliance with our Basic Policy Concerning Conflict Minerals across our supply chain.

In line with its management vision, "Color and Comfort by Chemistry," DIC strives to leverage its core businesses to fulfill its responsibility as a corporate citizen, as well as to bolster the trust of stakeholders. Accordingly, DIC approaches enhancing corporate governance as a key management priority. To ensure transparent, sound management, DIC is striving to reinforce decision making, execution and oversight by refining its internal control systems.

Basic Policy

DIC identifies the purpose of corporate governance as being 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.

Overall Structure

To promote sound and efficient management, in July 2003 DIC introduced a risk management structure—a system of internal controls designed to enhance its compliance program and facilitate the integration of risk management and compliance functions.

With the aim of achieving a higher level of trust on the part of shareholders, customers and other stakeholders and enhancing corporate value, in April 2007 DIC established the Corporate Social Responsibility Committee, which is under the direct supervision of the president and CEO, thereby creating a structure to guide related activities.

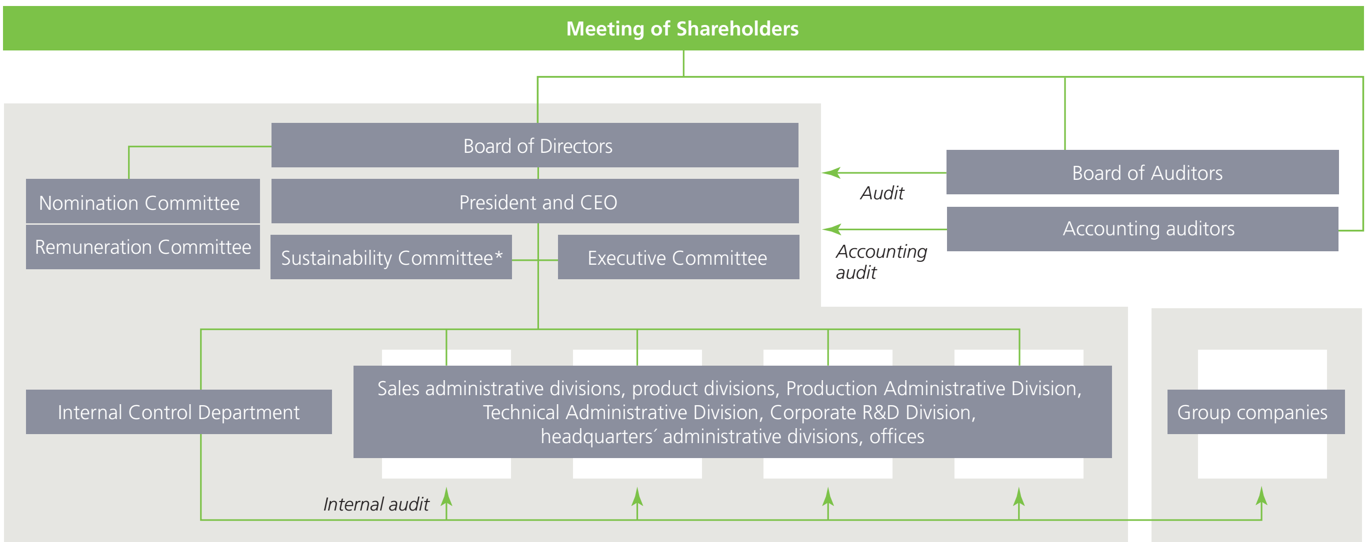
Having initially included two attorneys as outside auditors on its Board of Auditors, in June 2008 DIC sought to further strengthen its internal control system by appointing two outside directors to its Board of Directors, thereby ensuring the effectiveness of auditing functions and reinforcing confidence in its ability as a company with a Board of Auditors to respond to the expectations of shareholders.

In June 2009, DIC established the Nomination Committee and the Remuneration Committee as internal committees of the Board of Directors, with the aim of enhancing objectivity in the nomination and selection of, and determining remuneration for, directors and executive officers. Each of these committees comprises four directors, of which two are outside directors.

Other Important Corporate Governance-Related Matters

DIC has two publicly listed subsidiaries: SEIKO PMC CORPORATION in Japan, and DIC India Ltd. Management decisions for these companies are approved by their respective boards of directors and annual meetings of shareholders. As a shareholder, DIC exercises its voting rights at the annual meetings of shareholders of each of the companies. DIC also receives

Corporate Governance Organization



* *Effective from fiscal year 2014, DIC has changed the names of the Corporate Social Responsibility Committee and the CSR policy to the Sustainability Committee and the sustainability activity plan, respectively.*

information on the internal controls of each of the companies, enabling it to make proper evaluations. Hiring procedures for the two companies are independent from those of DIC.

Corporate Governance Organization

Board of Directors

To accelerate decision making and reinforce corporate governance, eight directors have been elected. Of the eight, two are outside directors.

The Board of Directors is responsible for making decisions on matters stipulated in Japan's Corporate Law, and in DIC's own regulations, as requiring Board-level approval, as well as for monitoring the execution of business activities as reported by the executive officers.

Executive Committee

The Executive Committee deliberates and resolves issues related to the execution of business activities. In principle, the Executive Committee meets twice monthly. These meetings are also attended by corporate auditors as part of their auditing process. Details of deliberations and resolutions are reported to the Board of Directors.

Sustainability Committee

The Sustainability Committee is under the direct supervision of the president and CEO and functions as an advisory body. As such, the committee meets an average of four times annually to formulate Group sustainability targets and policies to guide related activities by Group companies, as well as to evaluate and supervise specific initiatives. Committee members include directors designated by the Board of Directors. The Corporate Communications Department serves as the committee's secretariat. An internal organization has also been established to oversee sustainability initiatives within individual divisions, departments, sites and Group companies.

Board of Directors and Corporate Auditors

(As of March 28, 2014)

Chairman of the Board	Kazuo Sugie		
Representative Directors	Yoshiyuki Nakanishi	Masayuki Saito	
Directors	Yoshihisa Kawamura	Akira Konishi	Tetsuro Agawa
	Takao Suzuki*	Yukako Uchinaga*	
Corporate Auditors	Jiro Mizutani	Yoshiyuki Mase	
	Junji Tomita*	Katsunori Takechi*	

* *Outside*

Board of Auditors

The Board of Auditors comprises four members, including two outside auditors. In principle, the Board of Auditors meets once monthly. Audit activities consist of attending important meetings, including those of the Board of Directors and the Executive Committee, exchanging opinions with representative directors and collecting business reports from directors, executive officers and other pertinent individuals.

Internal Auditing Department

The internal auditing department is charged with monitoring the effectiveness of internal control systems at DIC and domestic DIC Group companies. For DIC Group companies outside Japan, internal auditing—including monitoring—is the responsibility of internal auditing teams in regional holding companies. For the Sun Chemical Group, this responsibility is shouldered by internal auditing departments.

Accounting Auditors

DIC has engaged Deloitte Touche Tohmatsu as its independent auditors. DIC strives to ensure an environment that facilitates the accurate disclosure of information and fair auditing. In fiscal year 2013, DIC was audited by Yuji Itagaki, partner, and Takaya Otake, partner. Messrs Itagaki and Otake were assisted by approximately 30 qualified public accountants.

Basic Policy on Internal Control

The DIC Group maintains a keen awareness of four key objectives—ensure the effectiveness and efficiency of its businesses, uphold the reliability of its financial reporting, comply with laws and regulations relevant to its business activities and safeguard its assets—as it strives to conduct and manage its businesses in accordance with "The DIC WAY." To this end, DIC shall prepare and operate systems to ensure proper business activities (referred to herein as "internal controls"), as set forth below, based upon the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan.

Systems for Ensuring that the Performance of Duties by Directors and Employees Complies with Laws and the Articles of Incorporation

- DIC shall prepare regulations of the Board of Directors and regulations for *Ringi* (Approval by Written Circular) and shall clarify decision-making authority.
- DIC shall appoint outside directors and shall work to bolster monitoring functions with regards to management.

- DIC shall work to set forth a Code of Business Conduct regarding compliance and disseminate the same.
- DIC shall establish an internal auditing department and shall monitor the status of the preparation and operation of internal controls on a periodic basis. Important matters that are discovered through such monitoring or the status of improvements shall be reported to the representative directors on a periodic basis, and countermeasures may also be considered based upon necessity. Those matters of particular importance are reported to the Board of Directors.
- DIC shall establish an internal notification system for compliance matters and set up multiple notification channels independent from channels for communication of information used in the conduct of business, including outside legal counsel, and shall proceed with the preparation of 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.
- DIC shall sever any and all connection with antisocial elements and shall collaborate with legal counsel and the police in making resolute responses in relation to unwarranted demands made by such antisocial elements.

Systems for Ensuring that the Duties of Directors are Performed Efficiently

- In order to ensure a system so that the duties of directors are performed properly and efficiently, DIC shall establish regulations regarding the organization and authority.
- In order to clarify the responsibilities and speed up the conduct of business, DIC shall introduce an executive officer system. As well as resolving important business affairs in accordance with the Articles of Incorporation and regulations of the Board of Directors, the Board of Directors shall also supervise the status of the conduct of business by the executive officers.
- Based upon management policies and management strategies, DIC shall formulate medium-term management plans and the fiscal budget, and through the dissemination of the same, share the common goals of the DIC Group. Reports are made to the Board of Directors outlining the status of the progress of the same.

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

- Information pertaining to the performance of duties by directors shall be held in safekeeping based upon the regulations for document management.
- DIC shall establish regulations for systems of information management and shall prepare a system to prevent the divulging of secrets.

Regulations and Other Systems Relating to the Management of Risk of Loss

- DIC shall identify and assess any risks that may have a significant impact on management and shall formulate a DIC Group sustainability activity plan each fiscal year in the Sustainability Committee.
- DIC shall prepare a management system covering measures for business continuity and responses in the event of occurrences such as accidents and disasters, based upon the "Basic Policy for Business Continuity Management (BCM)."

Systems for Ensuring the Proper Operations of the Corporate Group Comprised of DIC and its Subsidiaries

- DIC shall determine a jurisdictional 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.
- DIC shall clarify important matters pertaining to subsidiaries that are matters for approval or reporting to DIC, the parent company.
- The internal auditing department shall conduct internal audits of the subsidiaries on a periodic basis.
- Internal notifications from subsidiaries may be made directly to persons such as the DIC President, officer in charge of legal affairs, corporate auditors or outside legal counsel.

Systems for Ensuring that Audits by the Corporate Auditors are Conducted Effectively

- 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.
- Directors, executive officers and employees shall report facts that could cause substantial damage to the Company and matters designated by the Board of Auditors as "Matters to be Reported to the Corporate Auditors or the Board of Auditors" to the corporate auditors or the Board of Auditors.
- In addition to meeting with the representative directors on a periodic basis to exchange information and opinions, corporate auditors shall strive to foster close cooperation by holding liaison meetings on a periodic basis with each of the internal auditing department, independent auditors and corporate auditors of the subsidiaries.
- DIC shall establish an Office of Corporate Auditors and shall assign dedicated personnel to assist the corporate auditors in their duties. Such personnel shall obey only the directions and orders of the corporate auditors, evaluations shall be conducted by the corporate auditors and matters such as personnel changes and disciplinary action will require the prior consent of the corporate auditors.

Consolidated Six-Year Summary

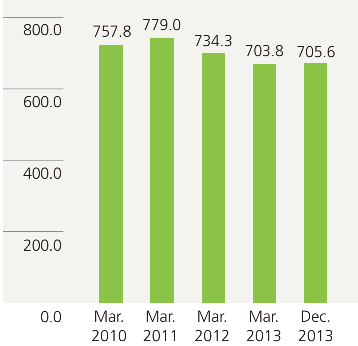
DIC Corporation and Consolidated Subsidiaries
Period ended December 31, 2013 and years ended March 31, 2013 to 2009

Millions of yen, except for per share information

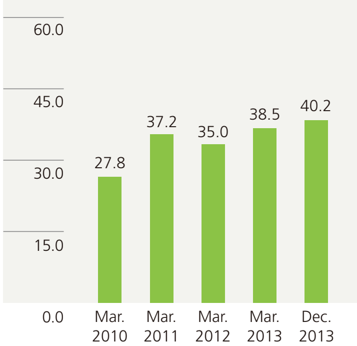
	Dec. 2013	Mar. 2013	Mar. 2012	Mar. 2011	Mar. 2010	Mar. 2009
Net sales	**¥705,647**	¥703,781	¥734,276	¥778,964	¥757,849	¥932,334
Percent increase (decrease) (Note 4)	**—%**	(4.2)%	(5.7)%	2.8%	(18.7)%	(13.5)%
Operating income	**40,181**	38,484	34,960	37,152	27,814	25,356
Net income	**26,771**	19,064	18,158	15,761	2,540	2,648
Equity (Note 3)	**195,218**	136,921	101,911	107,748	101,034	95,329
Total assets	**761,690**	692,991	675,067	703,760	749,866	738,460
Equity per share (Note 1)	**¥213.13**	¥149.48	¥111.08	¥117.44	¥127.72	¥120.50
Earnings per share (Basic) (Note 2)	**29.23**	20.80	19.79	17.60	3.21	3.35
Equity ratio to total assets	**25.6%**	19.8%	15.1%	15.3%	13.5%	12.9%
ROE (Return on equity)	**16.1%**	16.0%	17.3%	15.1%	2.6%	1.6%
Number of employees	**20,034**	20,273	20,455	21,572	22,583	23,613

Notes: 1. The computation of equity per share of common stock has been based on the number of shares issued and outstanding as of the balance sheet date.
2. The computation of earnings per share of common stock has been based on the weighted-average number of shares issued and outstanding during each fiscal year.
3. Equity comprises "Total shareholders' equity" and "Total accumulated other comprehensive income."
4. In order to align the fiscal year-end with that of its consolidated subsidiaries overseas, DIC changed its fiscal year-end from March 31 to December 31. As a result, the period ended December 31, 2013, was a transitional irregular nine-month period, comprising the nine months from April to December for DIC and its subsidiaries whose fiscal-year end was previously March 31 and the 12 months from January to December for its subsidiaries whose fiscal year-end is December 31. Therefore, the percent increase (decrease) for the period ended December 31, 2013, is not given.

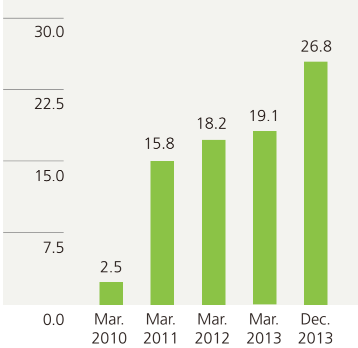
Net Sales
(Billions of yen)



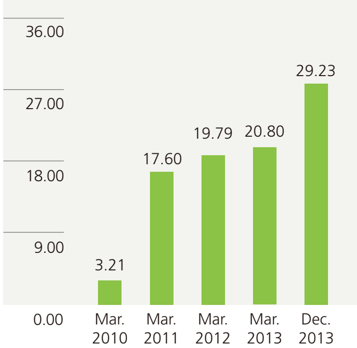
Operating Income
(Billions of yen)



Net Income
(Billions of yen)



Earnings per Share
(Yen)



Effective from fiscal year 2013, DIC Corporation and its domestic subsidiaries, with the exception of one company, adopted a December 31 fiscal year-end. Accordingly, for these companies fiscal year 2013 was a transitional irregular period. This document presents consolidated results for fiscal year 2013, comprising the accounts for the nine months ended December 31, 2013, of DIC and its domestic subsidiaries but one and the 12 months ended December 31, 2013, of its overseas subsidiaries and one domestic subsidiary. For the purpose of comparison, figures for fiscal year 2012 have been adjusted to represent the nine months ended December 31, 2012. Percentage changes represent increases or decreases from the adjusted fiscal year 2012 figures.

Operating Results

With the U.S. economy on a gentle upswing, fiscal year 2013 brought clear indications of a global economic recovery, despite the fact that improvements in Europe lacked strength. In key emerging economies, namely, the PRC and India, growth continued to slow, but signs of a gradual return to economic health were evident. In Japan, government economic policies—dubbed "Abenomics" after the current prime minister, Shinzo Abe—continued to support a weak yen and strong share prices. Against this backdrop, results in core industries, notably automobiles, civil engineering and construction, were firm.

In this environment, consolidated net sales rose 12.8%, to ¥705.6 billion. Reasons for this result included the positive impact of an increase in shipments on domestic sales and the depreciation of the yen.

Operating income, at ¥40.2 billion, was up 15.5%, bolstered by rationalization measures and the sagging yen, among others. Ordinary income advanced 15.1%, to ¥37.1 billion. Net income increased 51.6%, to ¥26.8 billion.

	Billions of yen			
Years ended December 31	FY2013	FY2012 (Adjusted)	Change (%)	Change calculated in local currency (%)
Net sales	¥705.6	¥625.4	12.8%	0.1%
Operating income	40.2	34.8	15.5	5.6
Ordinary income	37.1	32.2	15.1	—
Net income	26.8	17.7	51.6	—

	Yen	
Years ended December 31	FY2013	FY2012 (Adjusted)
Average exchange rate (¥/US$)	¥97.06	¥79.93

Segment Results

Segment results in key markets are as follows. Year-on-year percentage changes calculated in local currency represent increases or decreases excluding the impact of foreign currency fluctuations. Interregional transactions within the Printing Inks segment are included. Accordingly, the aggregates of regional net sales and operating income figures for the Printing Inks segment differ from the figures presented in the Notes to the Consolidated Financial Statements.

Printing Inks

Japan

Sales of gravure inks rose, as demand remained solid. Sales of offset inks and news inks declined, owing to an existing downward trend in demand. As a result, overall sales in Japan were on a par with fiscal year 2012. Operating income decreased, reflecting such factors as the aforementioned sales results.

The Americas and Europe

Sales in North America and Europe declined, despite firm sales of packaging inks, as sales of publishing inks and news inks fell, a consequence of shrinking print runs for magazines and newspapers and other factors. In Central and South America, sales remained level with the previous fiscal year, hampered by sluggish sales of mainstay packaging inks. For these reasons, overall sales in the Americas and Europe were up after translation as a result of yen depreciation, despite declining in local currency terms. Operating income increased substantially, owing to ongoing rationalization efforts and an improvement in the segment's product mix, among others.

Asia and Oceania

Sales in the PRC declined, despite brisk sales of gravure inks, as faltering economic growth and other factors caused sales of offset inks and news inks to tumble. Sales in Southeast Asia were up, bolstered by solid results in all product categories. Although sales of offset inks were robust, sales in Oceania were on a par with the previous fiscal year, as sales of news inks floundered. Sales in India declined, with offset inks and gravure inks, in particular, struggling under slowing economic growth. As a result, overall sales in Asia and Oceania decreased in local currency terms, but increased after translation, thanks to yen depreciation. Despite being down in local currency terms, operating income rose after translation, supported by the weak yen.

		Billions of yen			
		FY2013	FY2012 (Adjusted)	Change (%)	Change calculated in local currency (%)
Japan	Net sales	¥ 66.2	¥ 67.2	(1.5)%	—
	Operating income	4.9	5.3	(7.6)	—
The Americas and Europe	Net sales	254.9	218.6	16.6	(4.4)%
	Operating income	7.2	4.0	80.6	50.3
Asia and Oceania	Net sales	68.2	59.5	14.5	(2.5)
	Operating income	6.3	5.5	14.8	(2.6)

Fine Chemicals

Sales of organic pigments were up both in Japan and overseas, spurred by healthy sales for use in inks, coatings, plastics and color filters in Japan and in coatings, plastics and inks in the Americas and Europe. Despite a sharp increase in shipments to new customers, sales of TFT LCs edged down, as shipments to certain customers slipped. These and other factors supported an increase in segment sales. Operating income advanced. Reasons for this result included the aforementioned sales results.

	Billions of yen			
	FY2013	FY2012 (Adjusted)	Change (%)	Change calculated in local currency (%)
Net sales	¥116.9	¥96.5	21.1%	6.0%
Operating income	11.4	10.3	10.7	1.2

Polymers

In Japan, sales of resins for coatings and epoxy resins rose, primarily reflecting robust sales to civil engineering and construction industries, as did sales of polystyrene, a result of expanded marketing efforts. Sales of unsaturated polyester resins also increased, shored up by the acquisition of a controlling stake in a domestic affiliate in October 2013. Overseas sales also rose, bolstered by the solid results of subsidiaries in the PRC and Southeast Asia, among others. As a consequence, segment sales increased. Operating income declined, with causes including a deterioration of the segment's product mix.

	Billions of yen			
	FY2013	FY2012 (Adjusted)	Change (%)	Change calculated in local currency (%)
Net sales	¥141.2	¥123.8	14.0%	7.9%
Operating income	9.2	9.8	(5.7)	(10.0)

Application Materials

Sales of high-performance optical materials fell, owing to falling demand. In contrast, sales of PPS compounds increased, sustained by strong demand for automotive applications, as did sales of industrial adhesive tapes, which benefited from expanded shipments, primarily for use in smartphones. A higher market share was one of several factors that boosted sales of jet inks. These factors combined with yen depreciation to push up segment sales. Segment operating income rose, thanks to an improved product mix, among others.

	Billions of yen			
	FY2013	FY2012 (Adjusted)	Change (%)	Change calculated in local currency (%)
Net sales	¥105.2	¥102.6	2.5%	(3.1)%
Operating income	6.1	4.0	52.4	39.2

Analysis of Cash Flows

Cash and cash equivalents as of December 31, 2013, totaled ¥15.0 billion, a decrease of ¥7.5 billion from the previous fiscal year-end.

Operating Activities

Net cash provided by operating activities amounted to ¥33.9 billion, down from ¥41.4 billion provided by such activities in fiscal year 2012. Income before income taxes and minority interests was ¥40.1 billion, while the adjustment for depreciation and amortization amounted to ¥25.9 billion. Working capital rose ¥8.5 billion. Cash used in operating activities also included income taxes paid of ¥9.8 billion.

Investing Activities

Net cash used in investing activities came to ¥9.8 billion, down from ¥23.7 billion used in such activities in the previous fiscal year. Combined expenditures for the purchase of property, plant and equipment and the purchase of intangible assets totaled ¥27.1 billion. Proceeds from the sales of assets totaled ¥14.2 billion.

Financing Activities

Net cash used in financing activities amounted to ¥32.8 billion, compared with ¥26.6 billion used in such activities in fiscal year 2012. The net total of funds applied to the repayment of interest-bearing debt was ¥25.9 billion. Cash dividends paid totaled ¥5.5 billion.

Consolidated Balance Sheet

DIC Corporation and Consolidated Subsidiaries
December 31, 2013 and March 31, 2013

Assets

	Millions of yen	
	Dec. 2013	Mar. 2013
Current assets:		
Cash and deposits (Notes 5 and 18)	**¥ 15,576**	¥ 22,654
Notes and accounts receivable—trade (Notes 10, 18 and 19)	**212,821**	183,221
Merchandise and finished goods (Note 10)	**86,402**	75,184
Work in process (Note 10)	**8,963**	8,045
Raw materials and supplies (Note 10)	**50,483**	45,950
Deferred tax assets (Note 15)	**10,230**	8,456
Other (Note 18)	**17,113**	17,258
Allowance for doubtful accounts	**(10,794)**	(8,911)
Total current assets	**390,794**	351,857
Noncurrent assets:		
Property, plant and equipment (Notes 8, 9 and 10):		
Buildings and structures	**92,001**	83,490
Machinery, equipment and vehicles	**70,609**	59,907
Tools, furniture and fixtures	**8,355**	7,561
Land	**55,027**	53,396
Construction in progress	**7,767**	9,689
Total property, plant and equipment	**233,759**	214,043
Intangible assets:		
Goodwill	**1,666**	1,227
Software (Note 3)	**10,356**	10,285
Other	**3,539**	3,287
Total intangible assets	**15,561**	14,799
Investments and other assets:		
Investment securities (Notes 6, 7 and 18)	**41,615**	36,663
Long-term loans receivable (Notes 18 and 19)	**211**	269
Deferred tax assets (Note 15)	**38,769**	34,931
Net defined benefit asset (Note 11)	**15,822**	—
Other (Notes 6 and 18)	**27,854**	44,678
Allowance for doubtful accounts (Note 18)	**(2,695)**	(4,249)
Total investments and other assets	**121,576**	112,292
Total noncurrent assets	**370,896**	341,134
Total assets	**¥761,690**	¥692,991

See notes to the consolidated financial statements.

Liabilities and Net Assets

	Millions of yen	
	Dec. 2013	Mar. 2013
Current liabilities:		
Notes and accounts payable—trade (Note 18)	¥ 116,023	¥ 109,058
Short-term loans payable (Notes 10 and 18)	38,324	42,392
Current portion of long-term loans payable (Notes 10, 18 and 19)	41,486	45,538
Commercial papers (Notes 10 and 18)	—	7,000
Current portion of bonds (Notes 10, 18 and 19)	5,000	3,000
Lease obligations (Notes 10 and 18)	664	685
Accounts payable—other (Note 18)	37,326	34,869
Income taxes payable (Notes 15 and 18)	7,613	5,770
Deferred tax liabilities (Note 15)	210	195
Provision for bonuses	3,977	2,955
Provision for loss on disaster	343	420
Other	27,261	19,812
Total current liabilities	278,227	271,694
Noncurrent liabilities:		
Bonds payable (Notes 10, 18 and 19)	28,000	33,000
Long-term loans payable (Notes 10, 18 and 19)	180,262	178,367
Lease obligations (Notes 10 and 18)	5,398	5,652
Deferred tax liabilities (Note 15)	2,517	1,781
Provision for retirement benefits (Note 11)	—	29,711
Provision for environmental measures	1,997	—
Net defined benefit liability (Note 11)	32,830	—
Asset retirement obligations	984	777
Other	12,528	11,278
Total noncurrent liabilities	264,516	260,566
Total liabilities	542,743	532,260
Net assets:		
Shareholders' equity (Notes 12 and 22):		
Capital stock (Note 13)	91,154	91,154
Capital surplus	88,758	88,758
Retained earnings	89,166	68,444
Treasury shares (Note 14)	(883)	(873)
Total shareholders' equity	268,195	247,483
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,945	410
Deferred gains or losses on hedges	(438)	(837)
Foreign currency translation adjustment	(40,037)	(82,247)
Remeasurements of defined benefit plans (Note 3)	(34,447)	(27,888)
Total accumulated other comprehensive income	(72,977)	(110,562)
Minority interests	23,729	23,810
Total net assets	218,947	160,731
Total liabilities and net assets	¥ 761,690	¥ 692,991

Consolidated Statement of Income

DIC Corporation and Consolidated Subsidiaries
Period ended December 31, 2013 and year ended March 31, 2013

	Millions of yen	
	Dec. 2013	Mar. 2013
Net sales	¥705,647	¥703,781
Cost of sales	558,033	560,504
Gross profit	147,614	143,277
Selling, general and administrative expenses (Note 16)	107,433	104,793
Operating income	40,181	38,484
Non-operating income:		
Interest income	1,396	1,511
Dividends income	225	272
Equity in earnings of affiliates	1,916	2,348
Other	2,572	3,186
Total non-operating income	6,109	7,317
Non-operating expenses:		
Interest expenses	5,882	7,093
Foreign exchange losses	625	614
Other	2,660	2,957
Total non-operating expenses	9,167	10,664
Ordinary income	37,123	35,137
Extraordinary income:		
Gain on sale of art object	10,335	—
Gain on sales of noncurrent assets	683	2,079
Gain on step acquisitions	341	—
Reversal of provision for loss on disaster	—	1,308
Gain on bargain purchase	—	619
Total extraordinary income	11,359	4,006
Extraordinary loss:		
Loss on disposal of noncurrent assets	3,059	2,022
Severance costs	2,523	728
Provision for environmental measures	1,997	—
Impairment loss (Note 9)	787	—
Provision of allowance for doubtful accounts	—	2,187
Total extraordinary losses	8,366	4,937
Income before income taxes and minority interests	40,116	34,206
Income taxes (Note 15):		
Income taxes—current	10,735	8,873
Income taxes—deferred	875	4,116
Total income taxes	11,610	12,989
Income before minority interests	28,506	21,217
Minority interests in income	1,735	2,153
Net income	¥ 26,771	¥ 19,064

	Yen	
Earnings per share (Note 2):		
Basic	¥ 29.23	¥ 20.80
Diluted	—	—
Weighted average number of capital stocks during the period excluding treasury shares (in thousands)	915,997	916,584
Cash dividends per share applicable to the period (Note 2)	¥ 6.00	¥ 6.00

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

DIC Corporation and Consolidated Subsidiaries
Period ended December 31, 2013 and year ended March 31, 2013

	Millions of yen	
	Dec. 2013	Mar. 2013
Income before minority interests	¥ 28,506	¥ 21,217
Other comprehensive income:		
Valuation difference on available-for-sale securities	1,580	842
Deferred gains or losses on hedges	401	(269)
Foreign currency translation adjustment	40,358	22,628
Remeasurements of defined benefit plans, net of tax	(7,307)	(3,452)
Share of other comprehensive income of associates accounted for using equity method	2,543	1,596
Total other comprehensive income (Note 21)	¥ 37,575	¥ 21,345
Comprehensive income	¥ 66,081	¥ 42,562
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	¥ 63,601	¥ 39,806
Comprehensive income attributable to minority interests	2,480	2,756

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

DIC Corporation and Consolidated Subsidiaries
Period ended December 31, 2013 and year ended March 31, 2013

Millions of yen

	Shareholders' equity					
	Issued number of common stock (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2012	919,372	¥91,154	¥88,758	¥ 53,963	¥(660)	¥233,215
Dividends from surplus, ¥5.00 per share (Note 12)				(4,583)		(4,583)
Net income				19,064		19,064
Purchase of treasury shares—1,475,326 shares					(213)	(213)
Net changes of items other than shareholders' equity (Notes 7 and 12)						
Balance at March 31, 2013	919,372	91,154	88,758	68,444	(873)	247,483
Dividends from surplus, ¥6.00 per share (Note 12)				**(5,496)**		**(5,496)**
Net income				**26,771**		**26,771**
Change of scope of consolidation				**(553)**		**(553)**
Purchase of treasury shares—37,272 shares					**(10)**	**(10)**
Net changes of items other than shareholders' equity (Notes 7 and 12)						
Balance at December 31, 2013	**919,372**	**¥91,154**	**¥88,758**	**¥ 89,166**	**¥(883)**	**¥268,195**

Millions of yen

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2012	¥ (422)	¥(568)	¥(105,941)	¥(24,373)	¥(131,304)	¥22,585	¥124,496
Dividends from surplus, ¥5.00 per share (Note 12)							(4,583)
Net income							19,064
Purchase of treasury shares—1,475,326 shares							(213)
Net changes of items other than shareholders' equity (Notes 7 and 12)	832	(269)	23,694	(3,515)	20,742	1,225	21,967
Balance at March 31, 2013	410	(837)	(82,247)	(27,888)	(110,562)	23,810	160,731
Dividends from surplus, ¥6.00 per share (Note 12)							**(5,496)**
Net income							**26,771**
Change of scope of consolidation							**(553)**
Purchase of treasury shares—37,272 shares							**(10)**
Net changes of items other than shareholders' equity (Notes 7 and 12)	**1,535**	**399**	**42,210**	**(6,559)**	**37,585**	**(81)**	**37,504**
Balance at December 31, 2013	**¥1,945**	**¥(438)**	**¥ (40,037)**	**¥(34,447)**	**¥ (72,977)**	**¥23,729**	**¥218,947**

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

DIC Corporation and Consolidated Subsidiaries
Period ended December 31, 2013 and year ended March 31, 2013

	Millions of yen	
	Dec. 2013	Mar. 2013
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥ 40,116	¥ 34,206
Adjustments for:		
Depreciation and amortization	25,925	27,408
Amortization of goodwill	341	180
Increase (decrease) in allowance for doubtful accounts	(332)	2,539
Increase (decrease) in provision for bonuses	922	201
Interest and dividends income	(1,621)	(1,783)
Equity in (earnings) losses of affiliates	(1,916)	(2,348)
Interest expenses	5,882	7,093
Gain on sale of art object	(10,335)	—
Loss (gain) on sales and retirement of noncurrent assets	2,376	(57)
Impairment loss	787	—
Decrease (increase) in notes and accounts receivable—trade	(9,267)	604
Decrease (increase) in inventories	694	5,464
Increase (decrease) in notes and accounts payable—trade	27	(7,753)
Other, net	(6,688)	(11,112)
Subtotal	46,911	54,642
Interest and dividends received	2,436	2,370
Interest expenses paid	(5,641)	(7,155)
Income taxes paid	(9,847)	(8,424)
Net cash provided by (used in) operating activities	33,859	41,433
Net cash provided by (used in) investing activities:		
Payments into time deposits	(716)	(107)
Proceeds from withdrawal of time deposits	298	106
Purchase of property, plant and equipment	(25,501)	(22,812)
Proceeds from sales of property, plant and equipment	2,693	2,903
Purchase of intangible assets	(1,601)	(3,793)
Proceeds from sales of intangible assets	—	7
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(945)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	161	109
Purchase of subsidiaries' and affiliates' securities	(495)	(848)
Proceeds from sales of subsidiaries' and affiliates' securities	313	—
Purchase of investment securities	(188)	(520)
Proceeds from sales and redemption of investment securities	463	38
Payments for transfer of business	—	(1,031)
Proceeds from recollection of long-term notes receivable	3,882	3,197
Proceeds from sales of other assets of investments and other assets	10,885	—
Other, net	(22)	(29)
Net cash provided by (used in) investing activities	(9,828)	(23,725)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(5,034)	8,587
Increase (decrease) in commercial papers	(7,000)	(4,000)
Proceeds from long-term loans payable	35,981	33,939
Repayment of long-term loans payable	(46,820)	(54,177)
Redemption of bonds	(3,000)	(5,000)
Cash dividends paid	(5,496)	(4,583)
Cash dividends paid to minority shareholders	(995)	(851)
Net decrease (increase) in treasury shares	(10)	(213)
Other, net	(384)	(318)
Net cash provided by (used in) financing activities	(32,758)	(26,616)
Effect of exchange rate change on cash and cash equivalents	1,202	1,845
Net increase (decrease) in cash and cash equivalents	(7,525)	(7,063)
Cash and cash equivalents at beginning of period (Note 5)	22,529	29,592
Cash and cash equivalents at end of period (Note 5)	¥ 15,004	¥ 22,529

See notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

DIC Corporation and Consolidated Subsidiaries
Period ended December 31, 2013 and year ended March 31, 2013

Note 1:

Basis of Presenting Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated financial statements are stated in Japanese yen, the currency of the country in which DIC Corporation (the "Company") is incorporated.

Note 2:

Summary of Significant Accounting Policies

Consolidated financial statements

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

The consolidated financial statements include the accounts of the Company and its significant subsidiaries: Sun Chemical Group Coöperatief U.A., DIC (China) Co., Ltd., DIC Asia Pacific Pte Ltd, SEIKO PMC CORPORATION, DIC Investments Japan, LLC., DIC Graphics Corporation and 142 other companies in the fiscal year ended December 31, 2013 (146 other companies in the fiscal year ended March 31, 2013). All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Company and its consolidated subsidiaries is eliminated.

Investments in 28 affiliates in the fiscal year ended December 31, 2013 (31 in the fiscal year ended March 31, 2013) are accounted for by the equity method.

Change in fiscal year

In order to align the fiscal year end with that of its consolidated subsidiaries overseas for the following reasons, the Company changed its fiscal year end from March 31 to December 31 by the resolution of the 115th Annual General Meeting of Shareholders held on June 20, 2013.

(1) Ensure more timely and appropriate disclosure of management information

(2) Enhance administrative capabilities (including budget compilation and corporate performance management) and improve the efficiency of business operations

(3) Accommodate the need to align its accounts with the reporting period for consolidated corporate groups stipulated under the IFRS, the eventual adoption of which is currently under consideration in Japan

As a result of these amendments, fiscal year 2013 was a nine-month period from April 1, 2013 to December 31, 2013.

Accounting period of consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date. Consolidated financial statements are prepared based on the nine-month fiscal period, from April 1, 2013 to December 31, 2013, of 21 consolidated subsidiaries, whose closing date was March 31, and the 12-month fiscal period, from January 1, 2013 to December 31, 2013, of the other 127 consolidated subsidiaries.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on hand, certificates of deposit and short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash and have insignificant risk of changes in value.

Investment securities

Investment securities are classified and accounted for, depending on management's intent, into available-for-sale securities. Available-for-sale securities are carried at fair value as of the balance sheet date, with unrealized gain and loss, net of applicable taxes, reported in a separate component of net assets. Available-for-sale securities whose fair values are not readily available are carried at cost. The cost of securities sold is determined based on the moving-average method.

Allowance for doubtful accounts

Allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries is provided based on historical experience for normal receivables and on an estimate of collectibility of receivables from companies in financial difficulty.

Allowance for doubtful accounts of foreign consolidated subsidiaries is provided based on an estimate of collectibility of receivables.

Inventories

Inventories are principally stated at cost, cost being determined by the first-in, first-out ("FIFO") method, which evaluates the amount of the inventories shown in the balance sheet by writing them down based on their decrease in profitability.

(Accounting change)

Change in inventory valuation method

Previously, inventories of the Company and some of its domestic consolidated subsidiaries were stated at cost determined by the gross average method, but from the fiscal year ended December 31, 2013, this was changed to the FIFO method. This was implemented upon development of the next-generation ERP system, and is considered to give a more appropriate presentation of the results and an advanced costs control by not only changing to a valuation method which better reflects the inflows and outflows of inventories, but also unifying valuation methods within the DIC Group.

The inventories were not retrospectively restated because relevant effect of this change is minimal.

Property, plant and equipment

Property, plant and equipment are carried at cost. Significant renewals and additions are capitalized; maintenance and repairs, and minor renewals and improvements, are charged to income as incurred.

Depreciation of buildings (other than fixtures) of the Company and its domestic consolidated subsidiaries is calculated principally by the straight-line method and other property, plant and equipment are calculated by the declining-balance method.

Depreciation of property, plant and equipment of foreign consolidated subsidiaries is calculated principally by the straight-line method. The range of useful lives is principally from 8 to 50 years for buildings and structures and from 3 to 11 years for machinery, equipment and vehicles.

Intangible assets

Intangible assets are carried at cost less accumulated amortization, and are amortized by the straight-line method. Goodwill is amortized by the straight-line method over a reasonable period not exceeding 20 years.

Leased assets

Under accounting standards generally accepted in Japan, leased assets related to finance leases that do not transfer ownership of the leased property to the lessee are depreciated on a straight-line basis, with the lease periods used as their useful lives and no residual value. The accounting treatment for finance leases that do not transfer ownership of the leased property to the lessee which took place before March 31, 2008, continues to be accounted for in accordance with the method used for operating lease transactions.

Foreign consolidated subsidiaries account for lease transactions in accordance with either the accounting principles generally accepted in the United States ("U.S. GAAP") or IFRS.

Provision for loss on disaster

Provision for loss on disaster is provided based on the estimated future restoration expenses resulting from the Great East Japan Earthquake which occurred on March 11, 2011.

Provision for environmental measures

Provision for environmental measures is provided based on the estimated payments for cleaning up soil contamination in the Company's land.

Retirement and pension plans

The Company and its domestic consolidated subsidiaries account for net defined benefit asset/liability for employees' and executive officers' retirement benefits. Pension assets are deducted from retirement benefit obligations and the net amount is recognized based on the estimated amount of payment as of the balance sheet date. The Company and its domestic consolidated subsidiaries amortize actuarial gains and losses in the succeeding years primarily by the straight-line method over stated years that do not exceed the average remaining service period of the eligible employees (14 to 16 years). Past service cost is accounted for as expense when it accrues.

Foreign consolidated subsidiaries are accounted for in accordance with either U.S. GAAP or IFRS. Actuarial gains and losses are amortized in the succeeding year primarily by the straight-line method over stated years that do not exceed the average remaining service period of the eligible employees (12 to 28 years). Past service cost is amortized over 5 to 26 years.

(Accounting change)

The Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26 of May 17, 2012) and "Guidance on Accounting standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012) since the current fiscal year end (except for the main clause of Article 35 of the standard and the main clause of Article 67 of the guidance).

Under the new standard, pension assets are deducted from retirement benefit obligations and the net amount is recognized as net defined benefit asset/liability, and previously unrecognized actuarial gains and losses are recorded as net defined benefit asset.

In accordance with transitional accounting as stipulated in Article 37 of the standard, the effect of the changes on accounting policies arising from initial application is recognized as remeasurements of defined benefit plans in accumulated other comprehensive income at the current fiscal year end.

As a result, accumulated other comprehensive income in the consolidated balance sheet has increased by ¥755 million at the current fiscal year end.

Asset retirement obligations

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period in which the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

Income taxes

The provision for income taxes is computed based on the pretax income (loss) included in the consolidated statement of income.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Research and development costs

Research and development costs are charged to income as incurred.

Basis of translation of financial statements of foreign consolidated subsidiaries

The financial statements of foreign consolidated subsidiaries included in the consolidated financial statements are translated into Japanese yen based on the following procedures:

(1) Assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the exchange rates as of the balance sheet date.

(2) Income and expenses are translated into Japanese yen at the average rate during the year.

The differences of translation are included in foreign currency translation adjustment and minority interests, which are presented as separate components of net assets.

Translation of foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date and any difference arising from the translation is recognized in the consolidated statement of income if hedge accounting is not applied.

Derivatives and hedging activities

To hedge risks associated with the fluctuations of exchange rates, interest rates and commodity prices, the

Company and its consolidated subsidiaries use foreign currency forward contracts, currency options and swaps, interest rate options and swaps, and commodity swaps. To hedge a part of the risks associated with the fluctuations of exchange rates for investments in foreign entities, the Company uses loans denominated in foreign currencies. The Company and its consolidated subsidiaries do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: 1) all derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the consolidated statement of income and 2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and recognized in income when the hedged transaction occurs. If interest rate swaps qualify for hedge accounting and meet certain specific matching criteria, they will not be measured at market value, rather the differential paid or received under the swap agreements will be recognized in interest expenses or interest income.

Per share information

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

Note 3:

Changes in Presentation (Consolidated Balance Sheet)

Pension liabilities adjustments, which had previously been included in accumulated other comprehensive income, is presented as remeasurements of defined benefit plans from the fiscal year ended December 31, 2013, because of the revision of accounting standards. In order to reflect this change in presentation, the consolidated balance sheet for the previous fiscal year has been reclassified.

As a result, the ¥(27,888) million presented as pension liabilities adjustments included in accumulated other comprehensive income in the consolidated balance sheet for the previous fiscal year has been reclassified as remeasurements of defined benefit plans.

Software, which had previously been included in other under intangible assets, is separately presented under intangible assets from the fiscal year ended December 31, 2013, because its materiality has increased.

The balance which had previously been included in other under intangible assets as of March 31, 2013, is ¥10,285 million.

Note 4:

New Accounting Pronouncement

Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," the main clause of Article 35 and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," the main clause of Article 67.

(1) Overview

Under the revised accounting standard, with respect to the amortization method of the expected benefit, the benefit formula basis is newly allowed as an option, in addition to the straight-line basis. The method for determining the discount rate is also amended.

(2) Date of adoption

The Company and its domestic consolidated subsidiaries will adopt the revised accounting standards from the beginning of the year ending December 31, 2015. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

(3) Impact of the adoption of the accounting standards

The Company is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

Accounting Standards for Business Combinations and Consolidated Financial Statements

On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

(1) Overview

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the revised accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted shall be accounted for as capital surplus. In the consolidated balance sheet, minority interest under the current accounting standard will be changed to non-controlling interest under the revised accounting standard.

Acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the revised accounting standard and guidance, the acquirer shall retrospectively adjust the provisional amounts as if the accounting for the business combination had been completed at the acquisition date.

In the consolidated statement of income, income before minority interest under the current accounting standard will be changed to net income under the revised accounting standard, and net income under the current one will be changed to net income attributable to owners of the parent under the revised one.

(2) Date of adoption

The Company and its domestic consolidated subsidiaries will adopt the revised accounting standards and guidance from the beginning of the fiscal year ending December 31, 2016.

(3) Impact of the adoption of the accounting standards

The effects of applying the revised accounting standards and guidance in future applicable periods are to be determined.

Note 5:

Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2013 and March 31, 2013 include the following:

	Millions of yen	
	Dec. 2013	Mar. 2013
Cash and deposits	¥15,576	¥22,654
Less: time deposits and short-term investments which mature over three months after the date of acquisition	(572)	(125)
Cash and cash equivalents	¥15,004	¥22,529

Note 6:

Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates as of December 31, 2013 and March 31, 2013 include the following:

	Millions of yen	
	Dec. 2013	Mar. 2013
Investments in stock of unconsolidated subsidiaries and affiliates	¥26,991	¥24,452
Investments in equity of unconsolidated subsidiaries and affiliates	1,870	1,033
Total	¥28,861	¥25,485

Note 7:

Investment Securities

The carrying amounts and aggregate fair values of available-for-sale securities at December 31, 2013 and March 31, 2013 are as follows:

	Millions of yen			
	Dec. 2013			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale securities:				
Stocks	**¥8,296**	**¥3,176**	**¥(109)**	**¥11,363**
Total	**¥8,296**	**¥3,176**	**¥(109)**	**¥11,363**

	Millions of yen			
	Mar. 2013			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale securities:				
Stocks	¥8,109	¥1,461	¥(798)	¥8,772
Total	¥8,109	¥1,461	¥(798)	¥8,772

Note 8:

Property, Plant and Equipment

Accumulated depreciation on property, plant and equipment as of December 31, 2013 and March 31, 2013 is ¥542,330 million and ¥501,418 million, respectively.

Note 9:

Impairment of Long-Lived Assets

Impairment losses on long-lived assets for the fiscal year ended December 31, 2013 for each asset group are as follows:

			Millions of yen
			Dec. 2013
Used status	Category of assets	Location	Allocated impairment loss
Factory assets in use	Buildings, land, machineries and other	Saitama, Japan	**¥764**
Idle assets	Buildings, machineries and other	Chiba, Japan	**23**
Total			**¥787**

The carrying amount of the factory assets was reduced to its recoverable amount because the recoverable amount is less than the carrying amount. The carrying amount of the idle assets was also reduced to its recoverable amount because the assets are no longer used as a result of production integration.

The recoverable amount of the factory assets was measured at its net selling price. The recoverable amount of the idle assets was measured at its value in use and the value was estimated at zero.

Note 10:

Short-Term Loans Payable and Long-Term Loans Payable

Information with respect to short-term loans payable at December 31, 2013 and March 31, 2013 is as follows:

The average interest rate for the fiscal years ended December 31, 2013 and March 31, 2013 is 1.76% and 1.36%, respectively, for short-term loans payable, and 0.10% and 0.11%, respectively, for commercial papers.

Bonds payable, long-term loans payable and lease obligations at December 31, 2013 and March 31, 2013 comprise the following:

	Millions of yen	
	Dec. 2013	Mar. 2013
1.019% Japanese yen notes due 2013	¥ —	¥ 3,000
1.74% Japanese yen notes due 2014	5,000	5,000
0.996% Japanese yen notes due 2016	3,000	3,000
0.81% Japanese yen notes due 2016	5,000	5,000
3.292% Japanese yen notes due 2070	20,000	20,000
Loans due 2014–2024, with an average interest rate of 1.62%	221,748	—
Loans due 2013–2025, with an average interest rate of 1.65%	—	223,905
Lease obligations	6,062	6,337
Subtotal	260,810	266,242
Less: current portion of long-term loans payable	(41,486)	(45,538)
Less: current portion of bonds	(5,000)	(3,000)
Less: lease obligations—current	(664)	(685)
Total	¥213,660	¥217,019

The annual maturities of bonds payable, long-term loans payable and lease obligations for the fiscal years subsequent to December 31, 2013 are as follows:

	Millions of yen
2014	¥ 47,150
2015	59,848
2016	71,711
2017	34,378
2018	12,551
Thereafter	35,172
Total	¥260,810

The amounts of assets pledged as collateral and secured borrowings and loans at December 31, 2013 comprise the following:

	Millions of yen
Assets pledged as collateral:	
Notes and accounts receivable—trade	¥3,854
Inventories	1,718
Property, plant and equipment	864
Total	¥6,436
Secured borrowings and loans:	
Short-term loans payable	¥ 777
Current portion of long-term loans payable	241
Long-term loans payable	1,400
Total	¥2,418

Note 11: Retirement and Pension Plans

The Company and a number of domestic consolidated subsidiaries have a cash balance-style pension plan and defined benefit pension and retirement plans. Some consolidated subsidiaries maintain defined benefit pension plans and defined contribution pension plans. The Company contributes certain available-for-sale securities to the employee retirement benefit trust.

The status of benefit obligation, plan assets, unrecognized obligations and the amounts recognized in the consolidated balance sheet as of March 31, 2013 are as follows:

	Millions of yen	
	Mar. 2013	
	Domestic plans	Foreign plans
Projected benefit obligation	¥(101,290)	¥(108,838)
Fair value of plan assets	102,901	80,357
Unfunded pension obligation	1,611	(28,481)
Unrecognized actuarial loss (Note)	11,667	40,487
Unrecognized past service cost (Note)	—	203
Additional minimum pension liabilities (Note)	—	(40,690)
Net accrued pension liabilities	13,278	(28,481)
Prepaid pension cost	14,475	33
Provision for retirement benefits	¥ (1,197)	¥ (28,514)

Note: Unrecognized actuarial loss and unrecognized past service cost are principally recognized in net assets (accumulated other comprehensive income) with tax effect adjusted in accordance with U.S. GAAP.

The components of retirement benefit expenses for the fiscal year ended March 31, 2013 comprise the following:

	Millions of yen	
	Mar. 2013	
	Domestic plans	Foreign plans
Service cost	¥ 2,596	¥ 405
Interest cost	2,163	4,139
Expected return on plan assets	(2,589)	(4,487)
Recognition of actuarial gains and losses	3,695	1,123
Amortization of past service cost	—	65
Total	¥ 5,865	¥ 1,245

Assumptions used for the year ended March 31, 2013 are as follows:

	Mar. 2013	
	Domestic plans	Foreign plans
Discount rate	2.0%	2.9%–4.6%
Expected return rate on plan assets	3.0%	3.0%–8.3%
Amortization period of past service cost	1 year	12–20 years
Recognition period of actuarial (gain) loss	14–16 years	11–21 years
Amortization period of transitional obligation	1 year	12–20 years

Changes in defined benefit obligations

	Millions of yen	
	Domestic plans	Foreign plans
As of April 1, 2013	¥101,290	¥108,838
Service cost	1,892	624
Interest cost	1,503	5,111
Actuarial gains and losses	204	1,509
Benefits paid	(4,668)	(5,120)
Past service cost	—	69
Exchange translation differences	—	24,965
Other	—	(84)
As of December 31, 2013	**¥100,221**	**¥135,912**

Changes in plan assets

	Millions of yen	
	Domestic plans	Foreign plans
As of April 1, 2013	¥102,901	¥ 80,357
Expected return on plan assets	2,138	5,793
Actuarial gains and losses	10,317	57
Contributions by the employer	4,127	4,320
Benefits paid	(4,623)	(4,976)
Exchange translation differences	—	18,584
Other	—	130
As of December 31, 2013	**¥114,860**	**¥104,265**

Reconciliation of defined benefit obligations and plan assets

The reconciliation of the defined benefit obligations and plan assets to the liabilities and assets on retirement benefits recognized in the consolidated balance sheet as of December 31, 2013 is as follows:

	Millions of yen	
		Dec. 2013
	Domestic plans	Foreign plans
Funded defined benefit obligations	¥ 99,599	¥ 135,475
Plan assets	(114,860)	(104,265)
Subtotal	(15,261)	31,210
Unfunded defined benefit obligations	622	437
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (14,639)	¥ 31,647
Liabilities (net defined benefit liability)	¥ 1,142	¥ 31,688
Assets (net defined benefit asset)	(15,781)	(41)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (14,639)	¥ 31,647

Retirement benefit expenses

The retirement benefit expenses for the fiscal year ended December 31, 2013 is as follows:

	Millions of yen	
		Dec. 2013
	Domestic plans	Foreign plans
Service cost	¥ 1,892	¥ 624
Interest cost	1,503	5,111
Expected return on plan assets	(2,138)	(5,793)
Recognition of actuarial gains and losses	2,171	1,361
Amortization of past service cost	—	69
Total	¥ 3,428	¥ 1,372

Unrecognized past service cost and unrecognized actuarial gains and losses recognized in accumulated other comprehensive income

The unrecognized past service cost and unrecognized actuarial gains and losses recognized in accumulated other comprehensive income (amount before income tax effect) for the fiscal year ended December 31, 2013 are as follows:

	Millions of yen	
		Dec. 2013
	Domestic plans	Foreign plans
Unrecognized past service cost	¥ —	¥ (82)
Unrecognized actuarial gains and losses	583	(50,594)
Total	¥583	¥(50,676)

Major breakdown of plan assets

	Millions of yen	
	Dec. 2013	
	Domestic plans	Foreign plans
Equity securities	48.0%	41.6%
Debt securities	20.1%	49.0%
Other	31.9%	9.4%
Total	100.0%	100.0%

Note: 22.1% of the assets of the domestic plans are available-for-sale securities contributed to the employee retirement benefit trust.

Actuarial assumptions

	Dec. 2013	
	Domestic plans	Foreign plans
Discount rate	2.0%	2.8%–5.0%
Expected return rate on plan assets	3.0%	2.5%–7.8%

Note: Expected return rate on plan assets is determined by considering the current and anticipated future portfolio of plan assets and current and anticipated future long-term performance of individual asset classes that comprise the funds' asset mix.

Note 12:
Net Assets

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as: (1) having the board of directors, (2) having independent auditors, (3) having the board of corporate auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends in kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury share. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury share and treasury share acquisition rights

The Companies Act also provides for companies to purchase treasury share and dispose of such treasury share by resolution of the board of directors. The amount of treasury share purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury share acquisition rights and treasury share. Such treasury share acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Note 13:
Capital Stock

Total amount of capital stock authorized as of December 31, 2013 and March 31, 2013 is 1,500,000,000 shares.

Total amount of capital stock issued as of December 31, 2013 and March 31, 2013 is 919,372,048 shares.

Note 14:
Treasury Shares

Treasury share as of December 31, 2013 and March 31, 2013 amounted to 3,396,764 shares and 3,359,492 shares, respectively.

Note 15:
Income Taxes

The differences between the normal effective statutory tax rate in Japan and the actual effective tax rate for the fiscal years ended December 31, 2013 and March 31, 2013 are as follows:

	Dec. 2013	Mar. 2013
Normal effective statutory tax rate in Japan	38.0%	38.0%
Adjustments:		
Valuation allowance change	4.2%	2.2%
Tax rate differences	(1.8)%	(5.1)%
Equity in earnings of affiliates	(2.3)%	(2.9)%
Entertainment and other non-deductible expenses	1.8%	1.4%
Elimination of intercompany dividend income	10.8%	14.7%
Dividend income and other nontaxable income	(8.8)%	(12.2)%
State, provincial, municipal and local taxes	0.1%	1.7%
Tax credit for research and development and others	(4.3)%	(2.0)%
Adoption of FIN48	(8.5)%	(0.6)%
Tax credit for the Special Tax Law for the March 11 Earthquake	(2.7)%	(0.5)%
Other	2.4%	3.3%
Actual effective tax rate	28.9%	38.0%

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities, as of December 31, 2013 and March 31, 2013 are as follows:

	Millions of yen	
	Dec. 2013	Mar. 2013
Deferred tax assets:		
Inventories	¥ 5,006	¥ 3,934
Property, plant and equipment	4,653	5,560
Allowance for doubtful accounts	1,642	2,445
Provision for retirement benefits	—	12,091
Net defined benefit liability	11,840	—
Restructuring and divestitures	2,363	1,742
Unrealized gain	1,447	1,363
Net operating loss carryforwards	25,140	28,182
Other	32,432	24,979
Subtotal	84,523	80,296
Less: valuation allowance	(17,124)	(20,774)
Total	67,399	59,522
Deferred tax liabilities:		
Deferred income taxes related to gains from property, plant and equipment	(4,095)	(4,234)
Property, plant and equipment	(9,731)	(8,554)
Contribution of securities to retirement benefit trust	(1,966)	(1,864)
Other	(5,335)	(3,459)
Total	(21,127)	(18,111)
Net deferred tax assets	¥ 46,272	¥ 41,411

Note 16:

Research and Development Costs

Research and development costs charged to income for the fiscal years ended December 31, 2013 and March 31, 2013 are ¥8,777 million and ¥8,798 million, respectively.

Note 17:

Leases

(1) Finance leases that do not transfer ownership of the leased property to the lessee

As described in Note 2, leased assets related to finance leases that do not transfer ownership of the leased property to the lessee are depreciated on a straight-line basis, with the lease periods used as their useful lives and no residual value. The accounting treatment for finance leases that do not transfer ownership of the leased property to the lessee which took place before March 31, 2008 continues to be accounted for as operating leases under the accounting standard in Japan. Lease payments under the above leases for the fiscal years ended December 31, 2013 and March 31, 2013 are ¥85 million and ¥366 million, respectively.

Pro forma information for such finance leases for the fiscal years ended December 31, 2013 and March 31, 2013 is as follows:

			Millions of yen
			Dec. 2013
	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Balances at year end:			
Acquisition cost	¥ 551	¥ 36	¥ 587
Accumulated depreciation	(477)	(30)	(507)
Net leased property	¥ 74	¥ 6	¥ 80

			Millions of yen
			Mar. 2013
	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Balances at year end:			
Acquisition cost	¥ 1,408	¥ 46	¥ 1,454
Accumulated depreciation	(1,221)	(37)	(1,258)
Net leased property	¥ 187	¥ 9	¥ 196

Note: In addition, there is an accumulated impairment loss of ¥186 million related to "Machinery, equipment and vehicles."

		Millions of yen
	Dec. 2013	Mar. 2013
Present value of future minimum lease payments:		
Due within one year	¥ 85	¥168
Due after one year	27	75
Total	¥112	¥243

		Millions of yen
	Dec. 2013	Mar. 2013
Present balance of allowance for impairment loss on leased property	¥—	¥30

		Millions of yen
	Dec. 2013	Mar. 2013
Depreciation expense	¥76	¥334
Interest expense	4	12
Reversal of allowance for impairment loss on leased property	30	52

In estimating the above summarized pro forma lease information, depreciation is computed by the straight-line method over the lease term, and interest expense is computed by the interest method.

(2) Operating leases

Future minimum rental payments under noncancellable operating leases at December 31, 2013 and March 31, 2013 are as follows:

	Millions of yen	
	Dec. 2013	Mar. 2013
Due within one year	¥ 2,595	¥2,252
Due after one year	8,285	7,224
Total	¥10,880	¥9,476

Note 18: Financial Instruments

Group policy for financial instruments

The Company and its consolidated subsidiaries are managing funds with safe and secure financial assets. Means of financings include direct financing such as the issuance of bonds and commercial papers and liquidation of receivables, as well as indirect financing such as short- and long-term bank borrowings, the terms of which are determined based on financial market conditions and balance of account at the time.

Nature and extent of risks arising from financial instruments

Receivables such as notes and accounts receivable–trade are exposed to customer credit risk. In addition, some of such receivables are denominated in foreign currencies and are exposed to the market risk of fluctuation in foreign currency exchange rates. Investment securities, mainly the stocks of customers and suppliers, are exposed to the risk of market price fluctuations. Long-term loans receivable, mainly the loans receivable from customers, are exposed to the credit risk arising from default of contract.

Payment terms of payables, such as notes and accounts payable–trade, are less than one year. In addition, some of such payables for the import of raw materials, etc., are denominated in foreign currencies and are exposed to the market risk of fluctuation in foreign currency exchange rates.

Funds needed for operations are mainly procured as short-term loans payable and commercial papers, whereas funds needed for capital expenditure and investment are mainly procured as long-term loans payable, bonds payable and lease obligations with regard to finance lease transactions. A part of such bank loans, bonds and lease obligations are exposed to market risks from changes in variable interest rates. Trade accounts payable and loans payable of the Company are also exposed to liquidity risk that the Company cannot meet its contractual obligations in full on maturity dates.

Risk management for financial instruments

The Company manages its credit risk from trade notes and accounts receivable on the basis of internal guidelines, which include the monitoring of payment terms and balances of customers by sales and business administration department to identify the default risk of customers at an early stage. The consolidated subsidiaries of the Company manage the exposure to credit risk on their own in accordance with their internal guidelines. Investment securities are managed by monitoring market values, the financial position of issuers and considering the relationship with customers and suppliers on a regular basis. The Company and its consolidated subsidiaries also try to mitigate liquidity risk by arranging lines of credit with financial institutions, along with adequate financial planning.

Fair value of financial instruments

The following tables present the carrying amounts and the fair value of financial instruments at December 31, 2013 and March 31, 2013. Financial instruments whose fair value is not reliably measured are excluded from the table below.

Millions of yen

	Dec. 2013		
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	¥ 15,576	¥ 15,576	¥ —
Notes and accounts receivable—trade	212,821	212,821	—
Investment securities			
Stocks of subsidiaries and affiliates	5,172	8,007	2,835
Other	11,363	11,363	—
Long-term loans receivable	211		
Allowance for doubtful accounts (Note 1)	(84)		
	127	127	—
Total	¥245,059	¥247,894	¥2,835
Liabilities:			
Notes and accounts payable—trade	¥116,023	¥116,023	¥ —
Short-term loans payable	38,324	38,324	—
Current portion of long-term loans payable	41,486	41,636	150
Current portion of bonds	5,000	5,027	27
Lease obligations (current)	664	664	—
Accounts payable—other	37,326	37,326	—
Income taxes payable	7,613	7,613	—
Bonds payable	28,000	28,320	320
Long-term loans payable	180,262	181,717	1,455
Lease obligations (noncurrent)	5,398	5,539	141
Total	¥460,096	¥462,189	¥2,093
Derivative financial instruments: (Note 2)			
Hedge accounting—not applied	¥ (66)	¥ (66)	¥—
Hedge accounting—applied	(671)	(671)	—
Total	¥(737)	¥(737)	¥—

Millions of yen

	Mar. 2013		
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	¥ 22,654	¥ 22,654	¥ —
Notes and accounts receivable—trade	183,221	183,221	—
Investment securities			
Stocks of subsidiaries and affiliates	4,856	7,477	2,621
Other	8,772	8,772	—
Long-term loans receivable	269		
Allowance for doubtful accounts (Note 1)	(92)		
	177	177	—
Total	¥219,680	¥222,301	¥2,621

Liabilities:			
Notes and accounts payable—trade	¥109,058	¥109,058	¥ —
Short-term loans payable	42,392	42,392	—
Current portion of long-term loans payable	45,538	45,755	217
Commercial papers	7,000	7,000	—
Current portion of bonds	3,000	3,017	17
Lease obligations (current)	685	685	—
Accounts payable—other	34,869	34,869	—
Income taxes payable	5,770	5,770	—
Bonds payable	33,000	33,419	419
Long-term loans payable	178,367	180,643	2,276
Lease obligations (noncurrent)	5,652	5,921	269
Total	¥465,331	¥468,529	¥3,198

Derivative financial instruments: (Note 2)			
Hedge accounting—not applied	¥ (222)	¥ (222)	¥—
Hedge accounting—applied	(1,199)	(1,199)	—
Total	¥(1,421)	¥(1,421)	¥—

Notes: 1. Allowance for doubtful accounts taken for long-term loans receivable is subtracted.
2. Figures are net of debts and credits that arise from derivative financial instruments. Net debt amounts are indicated in parentheses.

The valuation techniques used to estimate the fair value of financial instruments, and information of the marketable securities and derivative financial instruments are as follows:

Assets

Cash and deposits and notes and accounts receivable–trade

The fair value of cash and deposits and notes and accounts receivable–trade approximates their carrying amounts as these amounts are settled in a short period of time.

Investment securities

The fair value of investment securities is measured at the quoted market price on the stock exchange.

Long-term loans receivable

Long-term loans receivable mainly consists of the accounts receivable from customers. The fair value of long-term loans receivable is determined by discounting the cash flows related to the loans. The discount rate applied for the calculation above is estimated by adding a credit risk spread to the appropriate risk-free rate, such as the rate of return for government bonds.

Liabilities

Notes and accounts payable–trade, short-term loans payable, commercial papers, accounts payable–other and income taxes payable

The fair value of these accounts approximates their carrying amounts as these amounts are settled in a short period of time.

Current portion of long-term loans payable and long-term loans payable

The fair value of long-term loans payable for which a floating interest rate is applied approximates its carrying amount, due to the fact that the market rate of interest is quickly factored in while the credit status of the Company remains unchanged. On the other hand, the fair value of long-term loans payable for which a fixed interest rate is applied is determined by discounting the cash flows related to the long-term loans payable. The discount rate applied for the calculation above is the interest rate that may be currently available to the Group for loans payable with similar terms and conditions.

Current portion of bonds and bonds payable

As for bonds payable which have observable market prices, the fair value is measured using the quoted market prices. For those with no market prices, the fair value is determined by discounting the cash flows related to the bond or by using the quoted price obtained from the financial institutions. The discount rate applied for the calculation above is the interest rate that may be currently available to the Group for bonds payable with similar terms and conditions.

Lease obligations (current) and lease obligations (noncurrent)

The fair value of these accounts is determined by discounting the cash flows related to the lease obligations. The discount rate applied for the calculation above is the interest rate that may be currently available to the Group for lease obligations with similar terms and conditions.

Derivative financial instruments

Please see Note 19 "Derivative Financial Instruments" for more information.

Financial instruments whose fair value is not reliably measured

There are no market prices for non-listed stocks and others (carrying amounts as of December 31, 2013 and March 31, 2013 are ¥25,080 million and ¥23,035 million, respectively) whose future cash flows cannot be estimated. The fair value of such non-listed stocks and others is not reliably determinable and thus is excluded from investment securities.

Redemption schedule for financial assets and securities

The redemption schedules for financial assets and securities with contractual maturities as of December 31, 2013 and March 31, 2013 are summarized as follows:

Millions of yen

Dec. 2013	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Notes and accounts receivable—trade	¥212,821	¥ —	¥—	¥—
Long-term loans receivable	—	154	53	4
Total	¥212,821	¥154	¥53	¥ 4

Millions of yen

Mar. 2013	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Notes and accounts receivable—trade	¥183,220	¥ 1	¥—	¥—
Long-term loans receivable	—	207	50	12
Total	¥183,220	¥208	¥50	¥12

Repayment schedule for bonds payable, long-term loans payable and other interest-bearing debt

The repayment schedules for bonds payable, long-term loans payable and other interest-bearing debt with contractual maturities as of December 31, 2013 and March 31, 2013 are summarized as follows:

Millions of yen

Dec. 2013	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Short-term loans payable	¥38,324	¥ —	¥ —	¥ —
Current portion of long-term loans payable	41,486	—	—	—
Current portion of bonds	5,000	—	—	—
Lease obligations (current)	664	—	—	—
Bonds payable	—	8,000	—	20,000
Long-term loans payable	—	168,540	11,722	—
Lease obligations (noncurrent)	—	1,948	1,813	1,637
Total	¥85,474	¥178,488	¥13,535	¥21,637

				Millions of yen
				Mar. 2013
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Short-term loans payable	¥42,392	¥ —	¥ —	¥ —
Current portion of long-term loans payable	45,538	—	—	—
Commercial papers	7,000	—	—	—
Current portion of bonds	3,000	—	—	—
Lease obligations (current)	685	—	—	—
Bonds payable	—	13,000	—	20,000
Long-term loans payable	—	173,989	4,355	23
Lease obligations (noncurrent)	—	1,989	1,816	1,847
Total	¥98,615	¥188,978	¥6,171	¥21,870

Note 19:

Derivative Financial Instruments

The Company and its consolidated subsidiaries have entered into various foreign currency forward contracts, currency option and swap agreements, interest rate option and swap agreements, and commodity swap agreements.

Foreign currency forward contracts and currency option and swap agreements are entered into to hedge the effects of exchange rate changes on receivables and payables or anticipated transactions denominated in foreign currencies. Interest rate option and swap agreements are entered into to hedge the effects of interest rate changes and to reduce financing cost. Commodity swap agreements are entered into to hedge the effects of commodity price changes of fuel. Loans denominated in foreign currencies are entered into to hedge a part of risks associated with the fluctuations of exchange rate for investments in foreign entities.

The Company and its consolidated subsidiaries do not use derivative instruments for trading or speculative purposes. Derivative transactions performed by the Company and its consolidated subsidiaries have risks due to fluctuations of exchange rates, interest rates and other factors.

Because these transactions are executed with creditworthy financial institutions, the Company and its consolidated subsidiaries do not anticipate the likelihood of any losses resulting from default by the counterparties to these agreements.

Internal regulation for managing derivative transactions has been established for the purpose of risk control in the Company, and all derivative transactions are performed under this regulation.

The execution of derivative transactions is carried out by the Company's finance department, and the management of risk is monitored by the Company's accounting department. Transactions are periodically reported to the board of directors by the director who is in charge of the Company's accounting department.

Consolidated subsidiaries execute transactions in accordance with their regulations for derivative management and periodically report the results of those transactions to the Company.

Derivative transactions to which hedge accounting is not applied at December 31, 2013 and March 31, 2013

(1) Currency related

	Millions of yen			
	Dec. 2013			
	Contract/notional amount	Contract/notional amount due after one year	Fair value	Unrealized gain/loss
Currency swaps: (Note 1)				
(Payment in H.K.$ and receipt in U.S.$)	¥ 770	¥770	¥(33)	¥ (33)
Currency options: (Note 1)				
Selling				
Euro	13,590	—	(99)	91
GB pound	960	—	(40)	37
Buying				
Euro	9,600	—	48	43
U.S.$	2,364	—	7	7
Foreign currency forward contracts: (Note 2)				
Selling				
Canadian $	1,916	—	3	(3)
Buying				
Euro	1,150	—	58	54
U.S.$	9,837	—	(17)	(16)
Other	36	—	7	7
Total	¥40,223	¥770	¥(66)	¥187

	Millions of yen			
	Mar. 2013			
	Contract/notional amount	Contract/notional amount due after one year	Fair value	Unrealized gain/loss
Currency options: (Note 1)				
Selling				
Euro	¥ 6,222	¥—	¥(123)	¥113
GB pound	1,879	—	(22)	20
Buying				
Euro	894	—	6	6
U.S.$	5,902	—	(36)	(33)
Foreign currency forward contracts: (Note 2)				
Selling				
Canadian $	1,871	—	15	(14)
Buying				
Euro	1,721	—	(16)	(16)
U.S.$	2,568	—	(39)	(36)
Other	10	—	(7)	(7)
Total	¥21,067	¥—	¥(222)	¥ 33

Notes: 1. The fair value of currency swaps and currency options is measured using the quoted price obtained from financial institutions. Currency options used are called collar options, which effectively limit the risk arising from the changes in exchange rate by the combination of buying call options and selling put options, or selling call options and buying put options.

2. The fair value of foreign currency forward contracts is measured using the forward quotation.

(2) Interest related

There is no interest related derivative transaction to which hedge accounting is not applied at December 31, 2013.

	Contract/notional amount	Contract/notional amount due after one year	Fair value	Unrealized gain/loss
	Millions of yen			
	Mar. 2013			
Interest rate options: (Notes 1 and 2)				
Buying	¥17,143	¥—	¥—	¥186
Total	¥17,143	¥—	¥—	¥186

Notes: 1. The fair value of interest rate options is measured using the quoted price obtained from financial institutions.
2. Interest rate options used are called collar options, which effectively limit the risk arising from the changes in interest rates by the combination of buying call options and selling put options.

Derivative transactions to which hedge accounting is applied at December 31, 2013 and March 31, 2013

(1) Currency related

	Hedged item	Contract/notional amount	Contract/notional amount due after one year	Fair value
		Millions of yen		
		Dec. 2013		
Currency swaps: (Note 1)				
(Payment in Australia $ and receipt in Singapore $)	Long-term loans receivable	¥ 623	¥ 413	¥ 84
(Payment in New Zealand $ and receipt in Singapore $)		381	—	(11)
Foreign currency forward contracts: (Note 1)				
Selling				
U.S.$	Forecast transaction	758	—	(27)
Euro		179	—	(9)
Buying				
U.S.$	Accounts payable—trade	97	—	8
Chinese yuan		1,352	—	33
H.K.$		239	—	6
Foreign currency forward contracts: (Note 2)				
Selling				
U.S.$	Accounts receivable—trade	2,749	—	
Euro		417	—	
Buying				
Chinese yuan	Accounts payable—trade	4	—	
Currency swaps: (Note 2)				
(Payment in Japanese yen and receipt in U.S.$)	Long-term loans payable	11,847	11,847	
Total		¥18,646	¥12,260	¥ 84

Millions of yen

	Hedged item	Mar. 2013 Contract/notional amount	Contract/notional amount due after one year	Fair value
Currency swaps: (Note 1)				
(Payment in Australia $ and receipt in Singapore $)	Long-term loans receivable	¥ 531	¥531	¥ 11
(Payment in New Zealand $ and receipt in Singapore $)		325	325	(1)
Foreign currency forward contracts: (Note 1)				
Selling				
U.S.$	Forecast transaction	4,113	—	(196)
Euro		113	—	3
Buying				
U.S.$	Accounts payable—trade	141	—	1
Foreign currency forward contracts: (Note 2)				
Selling				
U.S.$	Accounts receivable—trade	2,904	—	
Euro		338	—	
Total		¥8,465	¥856	¥(182)

Notes: 1. The fair value of currency swaps and foreign currency forward contracts is measured using the quoted price obtained from financial institutions.

2. Exchange contracts and currency swaps appropriated to specific debts and credits are settled together with either accounts receivable–trade, accounts payable-trade or long-term loans payable subject to hedged transaction. Accordingly, the fair value of such exchange contracts is reflected in the accounts receivable–trade, accounts payable-trade or long-term loans payable.

(2) Interest related

Millions of yen

	Hedged item	Dec. 2013 Contract/notional amount	Contract/notional amount due after one year	Fair value
Interest rate swaps: (Note 1) (Fixed rate payment, floating rate receipt)	Bonds payable, long-term loans payable	¥ 21,127	¥ 21,127	¥(257)
Interest rate options: (Note 2) Buying	Long-term loans payable	18,127	18,127	(495)
Interest rate swaps: (Note 3)	Bonds payable, long-term loans payable			
(Fixed rate payment, floating rate receipt)		77,108	62,108	
(Floating rate payment, floating rate receipt)		6,500	3,000	
Total		¥122,862	¥104,362	¥(752)

Millions of yen

	Hedged item	Mar. 2013 Contract/notional amount	Contract/notional amount due after one year	Fair value
Interest rate swaps: (Note 1) (Fixed rate payment, floating rate receipt)	Bonds payable, long-term loans payable	¥ 21,185	¥20,889	¥ (342)
Interest rate options: (Note 2) Buying	Long-term loans payable	14,382	14,382	(658)
Interest rate swaps: (Note 3) (Fixed rate payment, floating rate receipt)	Bonds payable, long-term loans payable	84,910	59,910	
(Floating rate payment, floating rate receipt)		8,500	4,500	
Total		¥128,977	¥99,681	¥(1,000)

Notes: 1. The fair value of interest rate swaps is measured using the quoted price obtained from financial institutions.
2. Interest rate options used are called collar options, which effectively limit the risk arising from the changes in interest rates by the combination of buying call options and selling put options.
3. If interest rate swaps qualify for hedge accounting and meet certain specific criteria, they are settled together with either bonds payable or long-term loans payable subject to hedged transaction. Accordingly, the fair value of such interest rate swaps is reflected in the account of bonds payable and long-term loans payable.

(3) Commodity related

Millions of yen

	Hedged item	Dec. 2013 Contract/notional amount	Contract/notional amount due after one year	Fair value
Commodity swaps: (Note) (Fixed price payment, floating price receipt)	Fuel	**¥277**	**¥88**	**¥(3)**
Total		**¥277**	**¥88**	**¥(3)**

Millions of yen

	Hedged item	Mar. 2013 Contract/notional amount	Contract/notional amount due after one year	Fair value
Commodity swaps: (Note) (Fixed price payment, floating price receipt)	Fuel	¥69	¥—	¥(17)
Total		¥69	¥—	¥(17)

Note: The fair value of commodity swaps is measured using the quoted price obtained from the exchange.

Note 20: Commitments and Contingent Liabilities

Contingent liabilities at December 31, 2013 are as follows:

	Millions of yen Dec. 2013
Trade notes endorsed	**¥165**
Trade notes discounted with banks	**7**
Liabilities for guarantee	**662**
Agreements which require the Company to submit guarantees to bank facilities	**1**
Total	**¥835**

In the opinion of management, the eventual settlement of pending lawsuits in which the Company or any of its consolidated subsidiaries is the defendant will not have a material effect on the consolidated financial position or consolidated results of operations of the Company and its consolidated subsidiaries.

Note 21:

Other Comprehensive Income

Each component of other comprehensive income and related tax effects (including those on minority interests) for the fiscal years ended December 31, 2013 and March 31, 2013 comprises the following:

	Millions of yen	
	Dec. 2013	Mar. 2013
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	¥ 2,352	¥ 1,274
Reclassification adjustments to profit or loss	—	1
Amount before income tax effect	2,352	1,275
Income tax effect	(772)	(433)
Total	1,580	842
Deferred gains or losses on hedges:		
Gains (losses) arising during the year	421	(279)
Reclassification adjustments to profit or loss	107	(88)
Amount before income tax effect	528	(367)
Income tax effect	(127)	98
Total	401	(269)
Foreign currency translation adjustment:		
Adjustments arising during the year	40,319	22,588
Reclassification adjustments to profit or loss	39	40
Amount before income tax effect	40,358	22,628
Total	40,358	22,628
Remeasurements of defined benefit plans		
Adjustments arising during the year	(11,424)	(5,424)
Reclassification adjustments to profit or loss	1,430	1,188
Amount before income tax effect	(9,994)	(4,236)
Income tax effect	2,687	784
Total	(7,307)	(3,452)
Share of other comprehensive income of associates accounted for using equity method		
Gains (losses) arising during the year	2,522	1,596
Reclassification adjustments to profit or loss	21	—
Total	2,543	1,596
Total other comprehensive income	¥ 37,575	¥ 21,345

Note 22:

Subsequent Events

(1) At the Company's annual meeting of shareholders held on March 28, 2014, the shareholders approved the following appropriations of retained earnings:

	Millions of yen
Cash dividends, ¥3.00 per share	¥2,748
Total	¥2,748

(2) There were no important events to be reported subsequent to the fiscal year ended December 31, 2013.

Note 23:

Segment Information

(1) Segment information

Description of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to evaluate their performance and determine the allocation of management resources.

The Group has seven product divisions, namely "Printing Inks," "Fine Chemicals," "General Polymers," "Specialty Polymers," "Liquid Compounds," "Solid Compounds" and "Processed Products" and each product division conducts its business.

The product divisions are aggregated into four reportable segments, namely "Printing Inks," "Fine Chemicals," "Polymers" and "Application Materials" based on the similarity of the products and services.

"Printing Inks" mainly consists of gravure inks, offset inks and news inks. "Fine Chemicals" mainly consists of organic pigments and liquid crystal materials. "Polymers" mainly consists of synthetic resins, such as acrylic, polyurethane, epoxy and polystyrene resins. "Application Materials" mainly consists of polyphenylene sulfide (PPS) compounds, plastic colorants and industrial adhesive tapes.

Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Segment profits are based on operating income.

Intersegment sales are mainly based on market price or cost of goods manufactured.

Information about sales, profit (loss), assets, liabilities and other items

Millions of yen

	Dec. 2013						
	Reportable Segment						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Total	Others	Total
Sales:							
Sales to customers	¥373,594	¥ 86,704	¥137,890	¥105,174	¥703,362	¥ 2,285	¥705,647
Intersegment sales	—	30,162	3,293	—	33,455	—	33,455
Total sales	373,594	116,866	141,183	105,174	736,817	2,285	739,102
Segment profit	18,393	11,391	9,241	6,085	45,110	(1,402)	43,708
Segment assets	¥337,408	¥ 99,432	¥170,019	¥112,295	¥719,154	¥41,529	¥760,683
Others:							
Depreciation and amortization	11,781	3,821	4,847	4,639	25,088	376	25,464
Amortization of goodwill	52	147	122	9	330	11	341
Investments in affiliates	3,610	1,145	14,834	4,103	23,692	5,169	28,861
Increase in property, plant and equipment and intangibles	7,955	3,208	6,480	7,869	25,512	1,418	26,930

Millions of yen

	Mar. 2013						
	Reportable Segment						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Total	Others	Total
Sales:							
Sales to customers	¥353,037	¥ 76,073	¥146,559	¥124,923	¥700,592	¥ 3,189	¥703,781
Intersegment sales	—	31,392	7,211	—	38,603	—	38,603
Total sales	353,037	107,465	153,770	124,923	739,195	3,189	742,384
Segment profit	15,304	12,507	11,831	4,223	43,865	(1,005)	42,860
Segment assets	¥300,407	¥ 99,280	¥152,740	¥ 99,569	¥651,996	¥28,626	¥680,622
Others:							
Depreciation and amortization	10,869	3,958	6,470	5,252	26,549	250	26,799
Amortization of goodwill	46	25	78	13	162	18	180
Investments in affiliates	2,901	457	12,885	4,104	20,347	5,138	25,485
Increase in property, plant and equipment and intangibles	7,283	4,417	7,498	6,478	25,676	503	26,179

Note: Effective from April 1, 2013, DIC revised its segmentation in line with its medium-term management plan, "DIC105." Certain figures for the fiscal year ended March 31, 2013 have been restated to conform to the new segmentation.

Reconciliation between reportable segment total and amounts disclosed in the consolidated financial statements

Millions of yen

	Dec. 2013	Mar. 2013
Sales:		
Reportable segment total	¥736,817	¥739,195
Sales in "Others"	2,285	3,189
Elimination of intersegment transaction	(33,455)	(38,603)
Sales in consolidated financial statements	¥705,647	¥703,781

Millions of yen

	Dec. 2013	Mar. 2013
Profit:		
Reportable segment total	¥45,110	¥43,865
Profit in "Others"	(1,402)	(1,005)
Corporate expenses	(3,527)	(4,376)
Operating income in consolidated financial statements	¥40,181	¥38,484

Note: Corporate expenses consist substantially of R&D expenses incurred by DIC Central Research Laboratories to develop new products.

Millions of yen

	Dec. 2013	Mar. 2013
Assets:		
Reportable segment total	¥719,154	¥651,996
Assets in "Others"	41,529	28,626
Elimination between segments	(36,417)	(31,204)
Corporate assets	37,424	43,573
Assets in consolidated financial statements	¥761,690	¥692,991

Note: Corporate assets consist of deferred tax assets and tangible assets of DIC Central Research Laboratories and Kawamura Memorial DIC Museum of Art.

Other items are as follows:

Millions of yen

	Dec. 2013				Mar. 2013			
	Reportable Segments	Others	Adjustments	Consolidated	Reportable Segments	Others	Adjustments	Consolidated
Depreciation and amortization	¥25,088	¥ 376	¥461	¥25,925	¥26,549	¥ 250	¥609	¥27,408
Amortization of goodwill	330	11	—	341	162	18	—	180
Investments in affiliates	23,692	5,169	—	28,861	20,347	5,138	—	25,485
Increase in property, plant and equipment and intangibles	25,512	1,418	172	27,102	25,676	503	426	26,605

Notes: 1. The adjustments for depreciation and amortization is mainly depreciation and amortization related to Central Research Laboratories that cannot be allocated to any reportable segment.
2. The adjustments for increases in property, plant and equipment and intangible assets is mainly capital investments of Central Research Laboratories that cannot be allocated to any reportable segment.

(2) Related information

Information about geographical areas

Millions of yen

	Japan	USA	Others	Total
				Dec. 2013
Net sales (Note)	¥235,480	¥94,503	¥375,664	¥705,647
Property, plant and equipment	120,025	30,284	83,450	233,759

Millions of yen

	Japan	USA	Others	Total
				Mar. 2013
Net sales (Note)	¥304,795	¥79,516	¥319,470	¥703,781
Property, plant and equipment	116,748	26,898	70,397	214,043

Note: Net sales is based on a customer's location and classified by countries.

Information about major customers

Not applicable for the fiscal years ended December 31, 2013 and March 31, 2013 because there is no single customer which accounts for more than 10% of net sales shown on the consolidated statement of income.

(3) Impairment loss of assets by reportable segment

Millions of yen

	Dec. 2013						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Others	Corporate and eliminations	Consolidated
Impairment loss	¥764	¥—	¥23	¥—	¥—	¥—	¥787

There was no impairment loss of assets for the fiscal year ended March 31, 2013.

(4) Amortization and unamortized balances of goodwill by reportable segment

Millions of yen

	Dec. 2013						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Others	Corporate and eliminations	Consolidated
Amortization	¥ 52	¥147	¥122	¥ 9	¥11	¥—	¥ 341
Unamortized balances	302	548	712	28	76	—	1,666

Millions of yen

	Mar. 2013						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Others	Corporate and eliminations	Consolidated
Amortization	¥ 46	¥ 25	¥ 78	¥13	¥18	¥—	¥ 180
Unamortized balances	313	655	149	36	74	—	1,227

(5) Gain on bargain purchase by reportable segment

There was no gain on bargain purchase for the fiscal year ended December 31, 2013.

Millions of yen

	Mar. 2013						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Others	Corporate and eliminations	Consolidated
Gain on bargain purchase	¥—	¥—	¥616	¥3	¥—	¥—	¥619

Note: Gains on bargain purchase come from restructuring capital structure of subsidiaries.

Note 24:

Related-party Transactions

(1) Related-party transactions with the Company

Related-party transactions with directors, corporate auditors, major individual shareholders and others of the Company for the fiscal years ended December 31, 2013 and March 31, 2013 are as follows:

Millions of yen

Dec. 2013

Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned majority of the shares (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others, insurance agency business	Owned Direct 5.81% Indirect 8.08%	Rental of buildings, insurance agency business and others	Payment of rent for buildings and others (Note 4)	1,360	Security deposit	1,720
							Payment for insurance fee (Note 5)	5	Prepaid ex-penses for insurance fee	6
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Direct 4.66%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 6)	482	Trade accounts payable	245
							Lease payments (Note 7)	33	—	—
							Sales of merchandise and finished goods (Note 8)	42	Trade notes and accounts receivable	48
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Direct 3.42%	Purchase of raw materials and others	Purchase of raw materials and others (Note 9)	4,976	Trade notes and accounts payable	1,643
							Sales of merchandise and finished goods (Note 8)	2,817	Trade accounts receivable	1,178

Notes: 1. Excluding consumption taxes

2. Including consumption taxes

3. Yoshihisa Kawamura, who is a director of the Company, and his close relatives substantially own a majority of the voting rights. Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.

4. Rent of buildings and others is determined based on an arms-length transaction in the neighboring area.

5. Insurance fee is determined based on an arms-length transaction upon consultation with an insurance company.

6. Purchase price of metallic containers and others is determined based on an arms-length transaction.

7. Amount of lease payments is determined through negotiations on an arms-length transaction.

8. Sales price of merchandise and finished goods is determined on an arms-length transaction.

9. Purchase price of raw materials and others is determined on an arms-length transaction.

Millions of yen

							Mar. 2013			
Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned a majority of the shares (Note 3)	Nissei Real-Estate Co., Ltd.	Chuo-ku, Tokyo	10	Rental of properties and others, insurance agency business	Owned Direct 5.81% Indirect 8.08%	Rental of buildings, insurance agency business and others	Payment of rent for buildings and others (Note 4)	2,322	Security deposit	1,804
							Payment for insurance fee (Note 5)	36	Prepaid expenses for insurance fee	37
							Sales of real estate (Note 6)	1,730	—	—
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Direct 4.66%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 7)	688	Trade notes and accounts payable	300
							Lease payments (Note 8)	61	—	—
							Sales of merchandise and finished goods (Note 9)	56	Trade notes and accounts receivable	20
	Nissin Trading Co., Ltd.	Chuo-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Direct 3.42%	Purchase of raw materials and others	Purchase of raw materials and others (Note 10)	6,056	Trade notes and accounts payable	909
							Sales of merchandise and finished goods (Note 9)	3,158	Trade accounts receivable	946

Notes: 1. Excluding consumption taxes
2. Including consumption taxes
3. Yoshihisa Kawamura, who is a director of the Company, and his close relatives substantially own a majority of the voting rights. Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.
4. Rent of buildings and others is determined based on an arms-length transaction in the neighboring area.
5. Insurance fee is determined based on an arms-length transaction upon consultation with an insurance company.
6. Buyer and sales price are determined based on a bidding which some traders participated in.
7. Purchase price of metallic containers and others is determined based on an arms-length transaction.
8. Amount of lease payments is determined through negotiations on an arms-length transaction.
9. Sales price of merchandise and finished goods is determined on an arms-length transaction.
10. Purchase price of raw materials and others is determined on an arms-length transaction.

(2) Related-party transactions with the consolidated subsidiaries

Related-party transactions with directors, corporate auditors, major individual shareholders and others of the Company for the fiscal years ended December 31, 2013 and March 31, 2013 are as follows:

Millions of yen

Dec. 2013

Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned majority of the shares (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others, insurance agency business	Owned Indirect 13.89%	Rental of buildings, insurance agency business and others	Payment of rent for buildings and others (Note 4)	22	Security deposit	15
							Payment for insurance fee (Note 5)	47	Prepaid expenses for insurance fee	35
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Indirect 4.66%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 6)	568	Trade accounts payable and other accounts payable	284
							Sales of merchandise and finished goods, and offering the service (Note 7)	61	Trade notes and accounts receivable	27
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Indirect 3.42%	Purchase of raw materials and others	Purchase of raw materials and others (Note 8)	855	Trade accounts payable	254
							Sales of merchandise and finished goods, and offering the service (Note 7)	315	Trade and other accounts receivable	147

Notes: 1. Excluding consumption taxes
2. Including consumption taxes
3. Yoshihisa Kawamura, who is a director of the Company, and his close relatives substantially own a majority of the voting rights. Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.
4. Rent of buildings and others is determined based on an arms-length transaction in the neighboring area.
5. Insurance fee is determined based on an arms-length transaction upon consultation with an insurance company.
6. Purchase price of metallic containers and others is determined based on an arms-length transaction.
7. Sales price of merchandise, finished goods and offering the service is determined on an arms-length transaction.
8. Purchase price of raw materials and others is determined on an arms-length transaction.

Millions of yen

Mar. 2013

Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned a majority of the shares (Note 3)	Nissei Real-Estate Co., Ltd.	Chuo-ku, Tokyo	10	Rental of properties and others, insurance agency business	Owned Indirect 13.89%	Rental of buildings, insurance agency business and others	Payment of rent for buildings and others (Note 4)	21	Security deposit	15
							Payment for insurance fee (Note 5)	11	Prepaid expenses for insurance fee	16
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Indirect 4.66%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 6)	886	Trade notes, accounts payable and other accounts payable	339
							Lease payments (Note 7)	85	—	—
							Sales of merchandise and finished goods, and offering the service (Note 8)	84	Trade notes and accounts receivable	25
	Nissin Trading Co., Ltd.	Chuo-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Indirect 3.42%	Purchase of raw materials and others	Purchase of raw materials and others (Note 9)	902	Trade accounts payable	246
							Sales of merchandise and finished goods, and offering the service (Note 8)	165	Trade and other accounts receivable	37

Notes: 1. Excluding consumption taxes

2. Including consumption taxes

3. Yoshihisa Kawamura, who is a director of the Company, and his close relatives substantially own a majority of the voting rights. Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.

4. Rent of buildings and others is determined based on an arms-length transaction in the neighboring area.

5. Insurance fee is determined based on an arms-length transaction upon consultation with an insurance company.

6. Purchase price of metallic containers and others is determined based on an arms-length transaction.

7. Amount of lease payments is determined through negotiations on an arms-length transaction.

8. Sales price of merchandise, finished goods and offering the service is determined on an arms-length transaction.

9. Purchase price of raw materials and others is determined on an arms-length transaction.

Management’s Report on Internal Control

1. Basic framework for internal control over financial reporting

Yoshiyuki Nakanishi, Representative Director, President and CEO, and Masayuki Saito, Representative Director, Senior Managing Executive Officer and CFO of DIC Corporation (the “Company”), are responsible for designing and operating internal control over the Company’s financial reporting and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions),” issued by the Business Accounting Council of the Financial Services Agency of Japan.

Internal control aims to achieve its objectives to a reasonable extent with the organized and integrated function of basic individual elements of internal control as a whole. Accordingly, due to the inherent limitations, there is a possibility that misstatements may not be completely prevented or detected by internal controls over financial reporting.

2. Scope of assessment, the basis date of assessment and assessment procedures

The Company changed its fiscal year end from March 31 to December 31 aligning with that of its consolidated subsidiaries overseas, based on the resolution at the 115th Annual General Meeting of Shareholders held on June 20, 2013 for the purpose of (i) ensuring more timely and appropriate disclosure of management information, (ii) enhancing administrative capabilities (including budget compilation and corporate performance management) and improving the efficiency of business operations and (iii) accommodating the need to align its accounts with the reporting period for consolidated corporate groups stipulated under the International Financial Reporting Standards (IFRS), the eventual adoption of which is currently under consideration in Japan.

As a result of this change, the basis date of assessment was changed to December 31 as well. The assessment of internal control over financial reporting for fiscal year 2013 was conducted as of December 31, 2013 for the nine-month transitional period from April 1, 2013 to December 31, 2013 in accordance with relevant assessment standards generally accepted in Japan for internal control over financial reporting.

In conducting this assessment, we began by evaluating internal control which may have a material impact on overall consolidated financial reporting (“company-level controls”) and, based on the results of this assessment, business processes to be assessed were selected. We then analyzed these selected business processes to identify key controls therein that may have a material impact on the reliability of the Company’s financial reporting, after which we examined the design and operation of these controls. These procedures thus allowed us to accurately evaluate the effectiveness of the Company’s internal control.

We determined the required scope of assessment of internal control over financial reporting for the Company and its consolidated subsidiaries and equity-method affiliates from the perspective of materiality or the degree to which it may affect the reliability of financial reporting. Materiality of the impact which may affect the reliability of financial reporting is determined based on potential quantitative and qualitative impact on financial reporting. In light of the results of assessment of company-level controls, we reasonably determined the scope of assessment of process-level controls. Consolidated subsidiaries and equity-method affiliates which were concluded as immaterial taking into account the degree of quantitative and qualitative impact are not included in the scope for assessment of company-level controls.

With regard to the process-level controls, significant locations and business units to be tested were selected based on the changes in the scope of consolidation during the year, as well as on net sales for the previous year, with locations and business units the combined sales volume of which reached approximately two-thirds of consolidated net sales being defined as “significant.” The scope of assessment at these locations and business units encompassed business processes relevant to net sales, accounts receivable-trade, accounts payable-trade, inventories and manufacturing facilities included in property, plant and equipment as significant accounts that may have a material impact on the business objectives of the Company. In addition, business processes relating to (i) greater likelihood of material misstatements, and/or (ii) significant accounts involving estimates and management’s judgment, were also identified as business processes having greater materiality, taking into account their impact on financial reporting, and were included in the scope.

3. Results of the assessment

Based on the results of the assessment, we concluded that as of the end of the fiscal year ended December 31, 2013, the Company’s internal control over financial reporting was effectively maintained.

Yoshiyuki Nakanishi
Representative Director, President and CEO
DIC Corporation

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of DIC Corporation:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of DIC Corporation and its consolidated subsidiaries as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DIC Corporation and its consolidated subsidiaries as of December 31, 2013, and the consolidated results of their operations and their cash flows for the nine-month period then ended in accordance with accounting principles generally accepted in Japan.

Report on Internal Control

We have audited management's report on internal control over financial reporting of the consolidated financial statements of DIC Corporation as of December 31, 2013.

Management's Responsibility for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

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

Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of DIC Corporation as of December 31, 2013 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Deloitte Touche Tohmatsu LLC

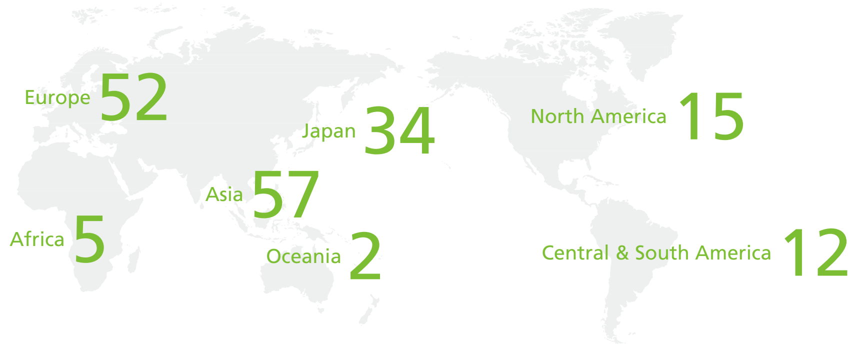
March 28, 2014

Major Subsidiaries and Affiliates

(As of December 31, 2013)

Global Network

The DIC Group comprises more than 170 companies in 62 countries and territories.



Printing Inks

Domestic

	Percent of Ownership
DIC Color Coatings, Inc. *Manufacture and sale of coatings for plastics and specialty coatings (pattern coatings)*	100%
DIC Graphics Corporation *Manufacture and sale of printing inks*	66.6%
DIC Machinery & Printer's Supplies, Inc. *Sale of printing inks and supplies*	100%
Nihon Packaging Material Co., Ltd. *Gravure printing and processing of flexible packaging materials*	100%
Topic Co., Ltd. *Manufacture and sale of precise photomask products and PCB pattern design*	100%

Overseas

	Country/Region	Percent of Ownership
DIC Australia Pty Ltd. *Manufacture and sale of printing inks*	Australia	100%
DIC Fine Chemicals Private Limited *Manufacture of printing inks*	India	100%
DIC Graphics Chia Lung Corp. *Manufacture and sale of printing inks*	Taiwan	100%
DIC Graphics (Guangzhou) Ltd. *Manufacture and sale of printing inks*	PRC	100%
DIC Graphics (Hong Kong) Ltd. *Manufacture and sale of printing inks*	PRC	100%
DIC Graphics (Shenzhen) Co., Ltd. *Manufacture of printing inks*	PRC	100%
DIC Graphics (Thailand) Co., Ltd. *Manufacture and sale of printing inks*	Thailand	96.3%
DIC India Ltd. *Manufacture and sale of printing inks*	India	71.8%
DIC Lanka (Private) Ltd. *Manufacture and sale of printing inks*	Sri Lanka	100%
DIC (Malaysia) Sdn. Bhd. *Manufacture and sale of printing inks, sale of synthetic resins and chemicals*	Malaysia	93.5%
DIC New Zealand Ltd. *Manufacture and sale of printing inks*	New Zealand	100%
DIC Pakistan Ltd. *Manufacture and sale of printing inks*	Pakistan	45%
DIC Philippines, Inc. *Manufacture and sale of printing inks*	Philippines	98.7%
DIC (Vietnam) Co., Ltd. *Manufacture and sale of printing inks*	Vietnam	100%
Nantong DIC Color Co., Ltd. *Manufacture and sale of organic pigments, printing inks and ink intermediates*	PRC	100%
PT. DIC Graphics *Manufacture and sale of printing inks*	Indonesia	100%
Shanghai DIC Ink Co., Ltd. *Manufacture and sale of printing inks*	PRC	65%
Shenzhen-DIC Co., Ltd. *Manufacture and sale of printing inks*	PRC	90%

Sun Chemical Group

Manufacture and sale of printing inks and supplies and pigments

	Country/Region	Percent of Ownership
Benda-Lutz Corporation	U.S.	100%
Benda-Lutz Skawina Sp. z.o.o.	Poland	100%
Benda-Lutz Volzhsky ooo	Russia	81%
Benda-Lutz Werke GmbH	Austria	100%
Coates Brothers (Caribbean) Ltd.	Trinidad and Tobago	100%
Coates Brothers (East Africa) Ltd.	Kenya	100%
Coates Brothers (South Africa) Pty. Ltd.	South Africa	100%
Coates Brothers (West Africa) Ltd.	Nigeria	59.9%
Coates Screen Inks GmbH	Germany	100%
Hartmann D.O.O.	Slovenia	100%
Hartmann Druckfarben GmbH	Germany	100%
Hartmann-Sun Chemical EOOD	Bulgaria	100%
Inmobiliaria Sunchem, S.A. de C.V.	Mexico	100%
Lorilleux Maroc S.A.	Morocco	50%
Parker Williams Design Ltd.	U.K.	80%
Sinclair de Centroamerica S.A.	Costa Rica	100%
Sinclair S.A.	Colombia	50%
Sun Branding Solutions Ltd.	U.K.	100%
Sun Chemical A/S	Norway	100%
Sun Chemical A/S	Denmark	100%
Sun Chemical AB	Sweden	100%
Sun Chemical AG	Austria	100%
Sun Chemical AG	Switzerland	100%
Sun Chemical Albania SHPK	Albania	100%
Sun Chemical B.V.	Netherlands	100%
Sun Chemical (Chile) S.A.	Chile	100%
Sun Chemical (Colores) S.A. de C.V.	Mexico	100%
Sun Chemical Corp.	U.S.	100%
Sun Chemical de Centro America, S.A. de C.V.	El Salvador	50%
Sun Chemical Delta B.V.	Netherlands	51.0%
Sun Chemical de Panama, S.A.	Panama	100%
Sun Chemical do Brasil Ltda.	Brazil	100%
Sun Chemical, d.o.o.e.l.	Macedonia	100%
Sun Chemical Group Coöperatief U.A.	Netherlands	100%
Sun Chemical Group S.p.A.	Italy	100%
Sun Chemical (Hai'an) Ltd.	PRC	100%
Sun Chemical Holding (Hong Kong) Ltd.	PRC	100%

Note: Percent of ownership indicates ownership by DIC Group companies.

Sun Chemical Inks A/S	Denmark	100%
Sun Chemical Inks Ltd.	Ireland	100%
Sun Chemical Inks S.A.	Argentina	100%
Sun Chemical Lasfelde GmbH	Germany	100%
Sun Chemical Ltd.	Canada	100%
Sun Chemical Ltd.	U.K.	100%
Sun Chemical Matbaa Mürekkepleri Ve Gereçleri Sanayii Ve Ticaret A.Ş.	Turkey	100%
Sun Chemical N.V./S.A.	Belgium	100%
Sun Chemical Nyomdafestek Kereskedelmi es Gyarto KFT	Hungary	100%
Sun Chemical Osterode Druckfarben GmbH	Germany	100%
Sun Chemical Oy	Finland	100%
Sun Chemical Pigments S.L.	Spain	100%
Sun Chemical Portugal-Tintas Graficas Unipessoal Ltda.	Portugal	100%
Sun Chemical Printing Ink d.o.o.	Serbia	100%
Sun Chemical S.A.	Spain	100%
Sun Chemical S.A.S.	France	100%
Sun Chemical Sp. z.o.o.	Poland	100%
Sun Chemical s.r.l.	Romania	100%
Sun Chemical, s.r.o.	Czech Republic	100%
Sun Chemical, s.r.o.	Slovakia	100%
Sun Chemical Ukraine Ltd.	Ukraine	100%
Sun Chemical ZAO	Russia	100%
Tintas S.A.	Colombia	50%

Fine Chemicals

Domestic

	Percent of Ownership
Japan Formalin Company, Inc. *Manufacture and sale of formalin*	50%

Overseas

	Country/Region	Percent of Ownership
DIC Alkylphenol Singapore Pte., Ltd. *Manufacture of alkylphenols*	Singapore	100%
DIC korea liquid crystal Co., Ltd.	Republic of Korea	55.0%
Lianyungang DIC Color Co., Ltd. *Manufacture and sale of organic pigments*	PRC	60%
Qingdao DIC Liquid Crystal Co., Ltd. *Manufacture of base components for liquid crystal materials*	PRC	100%
Suzhou Lintong Chemical Science Corporation *Manufacture and sale of intermediates for pigments and dyestuffs*	PRC	22.9%

Polymers

Domestic

	Percent of Ownership
DH Material Inc. *Manufacture and sale of unsaturated polyester resin*	100%
DIC Bayer Polymer Ltd. *Sales, marketing and manufacturing of thermoplastic polyurethane (TPU)*	50%
DIC Kitanihon Polymer Co., Ltd. *Manufacture of synthetic resins*	100%
DIC Kyushu Polymer Co., Ltd. *Manufacture of synthetic resins*	100%
Nippon Epoxy Resin Manufacturing Co., Ltd. *Manufacture of liquid-based basic epoxy resins*	40%
Oxirane Chemical Corp. *Manufacture and sale of plasticizers*	33.3%
SEIKO PMC CORPORATION *Manufacture and sale of papermaking chemicals and resins for printing inks and reprographic products*	54.5%
SUNDIC Inc. *Manufacture and sale of biaxially oriented polystyrene sheet*	50%

Overseas

	Country/Region	Percent of Ownership
Aekyung Chemical Co., Ltd. *Manufacture and sale of synthetic reins*	Republic of Korea	50%
Changzhou Huari New Material Co., Ltd. *Manufacture and sale of synthetic reins*	PRC	100%
DIC Epoxy (Malaysia) Sdn. Bhd. *Manufacture and sale of epoxy resins*	Malaysia	100%
DIC Performance Resins GmbH *Manufacture and sale of synthetic resins*	Austria	100%
DIC Synthetic Resins (Zhongshan) Co., Ltd. *Manufacture and sale of synthetic resins and metal carboxylates*	PRC	100%
DIC Zhangjiagang Chemicals Co., Ltd. *Manufacture of synthetic resins, plastic compounds, fiber and textile colorants*	PRC	100%
Kangnam Chemical Co., Ltd. *Manufacture and sale of synthetic resins*	Republic of Korea	50%
Lidye Chemical Co., Ltd. *Manufacture and sale of synthetic resins*	Taiwan	50%
P.T. Pardic Jaya Chemicals *Manufacture and sale of synthetic resins*	Indonesia	96.4%
Shanghai Showa Highpolymer Co., Ltd. *Manufacture and sale of bulk molding compounds (BMCs) and vinyl ester resins*	PRC	20%
Siam Chemical Industry Co., Ltd. *Manufacture and sale of synthetic resins*	Thailand	93.2%
TOA-DIC Zhangjiagang Chemical Co., Ltd. *Manufacture and sale of UV-curable monomers and related products*	PRC	40%

Application Materials

Domestic

Domestic	Percent of Ownership
DIC Color Design, Inc. *Color consulting, color marketing, sales of color guide, product design, graphic design and packaging design*	100%
DIC Decor, Inc. *Printing and sale of decorative sheets and plastic films*	100%
DIC EP Corp. *Manufacture of PPS neat polymers*	100%
DIC Filtec, Inc. *Manufacture and sale of plastic films*	100%
DIC Interior Co., Ltd. *Manufacture of storage furniture and other interior housing materials*	100%
DIC Kako, Inc. *Manufacture and sale of fiber-reinforced plastic (FRP) molding compounds and molded products*	100%
DIC Lifetec Co., Ltd. *Manufacture and sale of Spirulina-related dietary supplements*	100%
DIC Molding, Inc. *Manufacture and sale of plastic helmets*	100%
DIC Plastics, Inc. *Manufacture and sale of plastic molded products*	100%
Fuji Label Co., Ltd. *Manufacture and sale of labels and automatic labelers*	100%
Nippon Fine Coatings, Inc. *Manufacture and sale of coil coatings for metal*	40%
Techno Science, Inc. *Manufacture of plastic precision filters and applied products, and physicochemical testing devices and related equipment*	50%
YD Plastics Co., Ltd. *Manufacture and sale of PET bottles*	50%

Overseas

Overseas	Country/Region	Percent of Ownership
DIC Colorants Taiwan Co., Ltd. *Manufacture and sale of plastic colorants and compounds*	Taiwan	100%
DIC Compounds (Malaysia) Sdn. Bhd. *Manufacture and sale of plastic colorants and compounds*	Malaysia	100%
DIC Imaging Products USA, LLC *Manufacture and sale of toner and UV-curable coatings*	U.S.	100%
Earthrise Nutritionals, LLC. *Manufacture and sale of edible algae Spirulina*	U.S.	100%
Hainan DIC Microalgae Co., Ltd. *Manufacture and sale of edible algae Spirulina and blue colorants*	PRC	100%
PT DIC ASTRA Chemicals *Manufacture and sale of plastic compounds and plastics, fiber and textile colorants*	Indonesia	75%
Samling Housing Products Sdn. Bhd. *Manufacture of decorative boards and interior housing products*	Malaysia	29%
Shanghai DIC Pressure-Sensitive Adhesive Materials Co., Ltd. *Import, processing and sale of adhesive materials*	PRC	100%
Zhongshan DIC Colour Co., Ltd. *Manufacture and sale of colorants for plastics, textiles and leather*	PRC	100%

Others

Domestic

Domestic	Percent of Ownership
DIC Estate Co., Ltd. *Brokerage of real estate and provision of plant security, headquarters receptionist and postal services*	100%
Renaissance, Inc. *Planning and operation of sports clubs and schools*	47.7%

Overseas

Overseas	Country/Region	Percent of Ownership
DIC Asia Pacific Pte Ltd *Investment in related subsidiaries in Asia and Oceania, and manufacture and sale of DIC products*	Singapore	100%
DIC (China) Co., Ltd. *Administration of, investment in and provision of various management support services to subsidiaries in the PRC*	PRC	100%
DIC Europe GmbH *Sale of DIC products*	Germany	100%
DIC (Guangzhou) Co., Ltd. *Sale of DIC products*	PRC	100%
DIC International (USA), LLC. *Sale of DIC products*	U.S.	100%
DIC Korea Corp. *Sale of DIC products*	Republic of Korea	79%
DIC (Shanghai) Co., Ltd. *Sale of DIC products*	PRC	100%
DIC (Taiwan) Ltd. *Sale of DIC products*	Taiwan	100%
DIC Trading (HK) Ltd. *Sale of DIC products*	PRC	100%
Qingdao DIC Finechemicals Co., Ltd. *Technical development in the field of specialty chemicals*	PRC	100%
Tien Lee Hong Co., Ltd. *Sale of synthetic resins, printing inks and supplies, and chemicals*	PRC	100%

Investor Information and Corporate Data

(As of December 31, 2013)

Investor Information

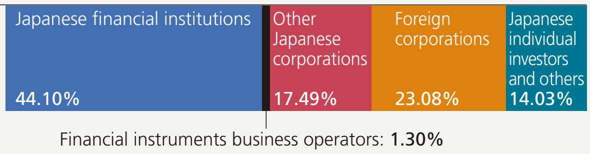
Common Stock

DIC common stock is listed and traded on the Tokyo stock exchanges. There were 40,936 shareholders of record on December 31, 2013. On the Tokyo Stock Exchange, the high and low prices for each quarter of the years 2013 and 2012 were as follows:

	2013		2012	
	High	Low	High	Low
Jan.–Mar.	¥219	¥155	¥178	¥136
Apr.–Jun.	271	176	170	131
Jul.–Sept.	283	243	158	126
Oct.–Dec.	328	257	164	125

Total Number of Shares Authorized	1,500,000,000 shares
Number of Unit Shares	1,000 shares
Paid-in Capital	¥91,154,452,787 (919,372,048 shares)
Independent Public Accountants	Deloitte Touche Tohmatsu LLC

Distribution of Shareholders



Major Shareholders

	Number of Shares Owned (Thousands)	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	73,151	7.99%
The Master Trust Bank of Japan, Ltd. (Trust Account)	64,215	7.01
Nissei Real-Estate Co., Ltd.	53,104	5.80
Japan Trustee Services Bank, Ltd. (Trust Account 9)	52,019	5.68
Dainichi Can Co., Ltd.	42,561	4.65
Dai-ichi Mutual Life Insurance Company	35,000	3.82
Nissin Trading Co., Ltd.	31,277	3.41
Aioi Nissay Dowa Insurance Co., Ltd.	25,907	2.83
The Chase Manhattan Bank, NA London S.L. Omnibus Account	22,605	2.47
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	19,782	2.16
	419,621	45.82%

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
10-11, Higashisuna 7-chome, Koto-ku, Tokyo
137-8081, Japan

Meeting of Shareholders

Our annual meeting of shareholders is held in March at the Corporate Headquarters.

For Further Information, Contact:

Corporate Communications Dept.
DIC Corporation
WATERRAS TOWER, 101, Kanda Awajicho 2-chome,
Chiyoda-ku, Tokyo 101-0063, Japan
Tel.: (03) 6733-3000
E-mail: prir@ma.dic.co.jp

Corporate Data

Registered Address

35-58, Sakashita 3-chome, Itabashi-ku,
Tokyo 174-8520, Japan

Corporate Headquarters

WATERRAS TOWER, 101,
Kanda Awajicho 2-chome,
Chiyoda-ku, Tokyo 101-0063, Japan
Tel.: (03) 6733-3000
http://www.dic-global.com/

Principal Domestic Offices, Plants and Laboratories (Nonconsolidated)

Number of Branch Offices: 2
Number of Sales Offices: 6
Number of Plants: 10
Number of Laboratories: 1

Number of Employees

20,034

Date of Foundation

February 15, 1908

Date of Incorporation

March 15, 1937

Color & Comfort by Chemistry

DIC Corporation

WATERRAS TOWER, 101, Kanda Awajicho 2-chome,
Chiyoda-ku, Tokyo 101-0063, Japan
http://www.dic-global.com/