Color & Comfort

DIC Report 2019

Financial Section Year ended December 31, 2018

DIC Corporation

One of the world's leading diversified chemicals companies, DIC Corporation is also the core of the DIC Group, a multinational organization with operations in more than 60 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 build a broad business portfolio of materials and finished products, enabling it to provide innovative solutions to customers in diverse industries and transforming it into a global powerhouse in its key fields of endeavor.

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

The DIC WAY

Mission

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

Vision

Color & Comfort by Chemistry

Spirit

Drive
The force that propels our employees to think and take action

Integrity
Maintaining a moral attitude, and facing matters head-on with reason and a sense of responsibility

Dedication
Having a sense of ownership and ambition, and taking a passionate approach to the tasks at hand

Collaboration
Working to resolve matters by rallying the collective power of the global DIC Group, while respecting the individuality and diversity of each and every one of our employees

Harmony
Fulfilling our social responsibility as good corporate citizens, and always remaining conscious of compliance issues

Contents

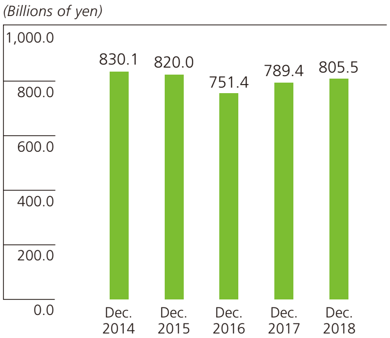
1 Consolidated Five-Year Summary

DIC Corporation and Consolidated Subsidiaries
Years ended December 31, 2018 to 2014

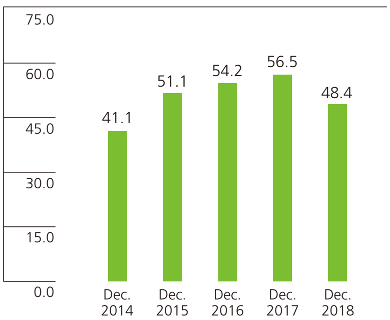
	Millions of yen, except for per share information					Thousands of U.S. dollars, except for per share information (Note 7)
	Dec. 2018	Dec. 2017	Dec. 2016	Dec. 2015	Dec. 2014	**Dec. 2018**
Net sales	**¥805,498**	¥789,427	¥751,438	¥819,999	¥830,078	**$7,322,709**
Percent increase (decrease)	**2.0%**	5.1%	(8.4)%	(1.2)%	—%	**2.0%**
Operating income	**48,385**	56,483	54,182	51,068	41,076	**439,864**
Net income attributable to owners of the parent	**32,028**	38,603	34,767	37,394	25,194	**291,164**
Equity (Note 3)	**298,896**	315,129	278,535	262,467	249,749	**2,717,236**
Total assets	**805,486**	831,756	764,828	778,857	803,703	**7,322,600**
Equity per share (Notes 1, 4 and 6)	**¥3,158.05**	¥3,329.60	¥2,938.12	¥2,768.41	¥ 259.63	**$28.71**
Earnings per share (basic) (Notes 2, 4 and 6)	**338.40**	407.56	366.72	389.40	26.78	**3.08**
Cash dividends per share applicable to the period (Note 5)	**125.00**	120.00	64.00	8.00	6.00	**1.14**
Equity ratio to total assets	**37.1%**	37.9%	36.4%	33.7%	31.1%	**37.1%**
ROE (return on equity)	**10.4%**	13.0%	12.9%	14.6%	11.3%	**10.4%**
Number of employees	**20,620**	20,628	20,481	20,264	20,411	**20,620**

Notes: 1. The computation of equity per share has been based on the number of shares issued as of the balance sheet date.
2. The computation of earnings per share has been based on the weighted-average number of shares issued during each fiscal year.
3. Equity comprises "Total shareholders' equity" and "Total accumulated other comprehensive income."
4. The Company implemented a consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date. Earnings per share (basic) and equity per share are calculated respectively based on the assumption that the consolidation had been implemented at the beginning of the fiscal year ended December 31, 2015.
5. The Company implemented a consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date. Cash dividends per share applicable to the period for the fiscal year ended December 31, 2016, comprises interim dividends of ¥4.00 (before the consolidation) and year-end dividends of ¥60.00 (after the consolidation). If the consolidation had been taken into consideration, cash dividends per share applicable to the period for the fiscal year ended December 31, 2016, would be ¥100.00.
6. From the fiscal year ended December 31, 2017, the Company introduced the Board Benefit Trust (BBT). The shares held by the trust are recorded under net assets as treasury shares. The number of treasury shares excluded from the number of shares issued as of the balance sheet date used for the calculation of equity per share includes the number of shares held by the trust. The number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year used for the calculation of earnings per share includes the number of shares held by the trust.
7. Yen amounts have been translated, for readers' convenience only, at the rate of ¥110 to US$1, the approximate rate of exchange at December 31, 2018.

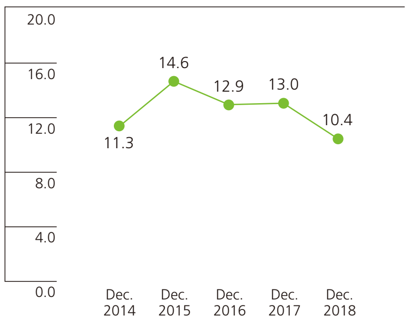
Net Sales
(Billions of yen)



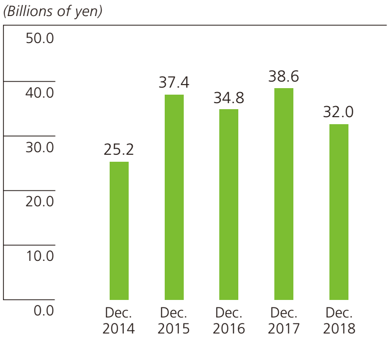
Operating Income
(Billions of yen)



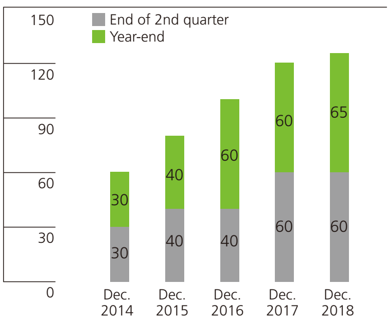
ROE
(%)



Net Income Attributable to Owners of the Parent
(Billions of yen)

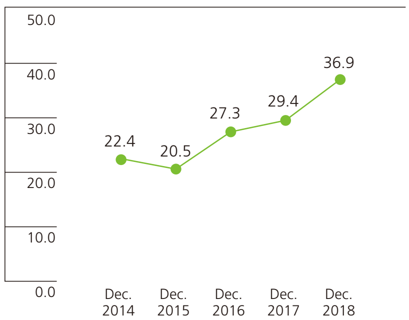


Cash Dividends per Share
(Yen)



* These figures have been adjusted to account for the impact of a consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date.

Dividend Payout Ratio
(%)



This document presents consolidated results for fiscal year 2018, comprising the accounts for the year ended December 31, 2018, of DIC and its domestic and overseas subsidiaries.

Operating Results

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

In this environment, consolidated net sales increased 2.0%, to ¥805.5 billion, reflecting multiple factors, including the revision of sales prices and firm shipments. Operating income declined 14.3%, to ¥48.4 billion, hampered by rising raw materials prices, higher distribution costs and the depreciation of currencies in European emerging economies, among others. Ordinary income was down 14.5%, to ¥48.7 billion, with causes including lower operating income. Net income attributable to owners of the parent fell 17.0%, to ¥32.0 billion. Reasons behind this result included the decrease in ordinary income.

	Billions of yen			
	FY2018	FY2017	Change (%)	Change calculated in local currency (%)
Net sales	**¥805.5**	¥789.4	2.0%	3.3%
Operating income	**48.4**	56.5	(14.3)	(11.4)
Ordinary income	**48.7**	57.0	(14.5)	—
Net income attributable to owners of the parent	**32.0**	38.6	(17.0)	—

	Yen	
	FY2018	FY2017
Average exchange rate (¥/US$)	**¥110.46**	¥112.33
Average exchange rate (¥/EUR)	**130.46**	127.03

Segment Results

Segment results in key markets are as follows. Year-on-year percentage changes excluding the impact of foreign currency fluctuations are presented as "change calculated in local currency." 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 in Japan declined, a consequence of diminished demand for publishing inks, among others. Operating income fell sharply, owing to the aforementioned sales results, as well as to rising raw materials prices, higher distribution costs and other factors.

The Americas and Europe

Although sales of packaging inks rose, sales in North America edged down, owing to waning demand for publishing inks and news inks. In Europe, sales increased, boosted by brisk shipments of packaging inks. Sales in Central and South America were up in all product categories. As a result, overall sales in the Americas and Europe advanced, underpinned by an increase in sales of packaging inks, among others. Despite rising in local currency terms, reflecting the aforementioned sales results and expanded sales of security inks, operating income was down after translation owing to the depreciation of currencies in emerging economies, including the Turkish lira.

Asia and Oceania

Higher shipments of packaging inks and publishing inks bolstered sales in the PRC and Southeast Asia. Sales in Oceania fell, with causes including fading demand for publishing inks and news inks. Sales in India increased in all product categories. For these reasons, overall sales in Asia and Oceania advanced. Operating income decreased significantly, regardless of the aforementioned sales results, a consequence of rising raw materials prices and other factors.

		Billions of yen FY2018	Change (%)	Change calculated in local currency (%)
Japan	Net sales	¥ 74.4	(3.6)%	—%
	Operating income	1.8	(53.4)	—
The Americas and Europe	Net sales	247.2	2.5	6.1
	Operating income	8.8	(7.7)	9.3
Asia and Oceania	Net sales	67.6	4.3	7.1
	Operating income	3.2	(19.8)	(18.6)

Fine Chemicals

Sales of pigments were down, despite an increase in shipments of pigments for color filters and effect pigments, among others. Reasons behind this result included a lull in shipments of pigments for cosmetics and flagging demand for other pigments. Sales of thin-film transistor liquid crystals (TFT LCs) fell, with reasons including falling sales prices. As a consequence, segment sales declined. Owing to the aforementioned sales results, as well as to the impact of environmental regulations in the PRC, segment operating income decreased.

	Billions of yen FY2018	Change (%)	Change calculated in local currency (%)
Net sales	¥132.3	(2.3)%	(1.8)%
Operating income	16.4	(5.5)	(5.9)

Polymers

Sales of epoxy resins and other products for electronic and electrical equipment advanced both in Japan and overseas. In addition, the revision of sales prices progressed. For these and other reasons, segment sales rose. Segment operating income declined, notwithstanding the aforementioned sales results. Factors behind this result included the fact that efforts to revise sales prices failed to keep up with rising raw materials prices.

	Billions of yen FY2018	Change (%)	Change calculated in local currency (%)
Net sales	¥205.8	4.0%	3.8%
Operating income	17.5	(10.6)	(10.7)

Compounds

Shipments of polyphenylene sulfide (PPS) compounds and jet inks expanded steadily. Nonetheless, segment sales were up only slightly, owing to the scaling back of low-margin businesses and other factors. Segment operating income fell sharply. This was attributable to a one-time cost increase associated with the scaling back of low-margin businesses, as well as to rising raw materials prices, among others.

	Billions of yen FY2018	Change (%)	Change calculated in local currency (%)
Net sales	¥65.2	0.8%	0.9%
Operating income	3.2	(35.4)	(35.7)

Application Materials

Segment sales increased, reflecting higher shipments of high-value-added products such as coextruded multi-layer films and hollow-fiber membrane modules, among others. Segment operating income rose substantially. Reasons behind this result included the aforementioned sales results.

	Billions of yen		
	FY2018	Change (%)	Change calculated in local currency (%)
Net sales	¥58.5	4.3%	4.1%
Operating income	3.2	23.0	22.4

Analysis of Cash Flows

Cash and cash equivalents as of December 31, 2018, totaled ¥18.6 billion, an increase of ¥1.0 billion from the previous fiscal year-end.

Operating Activities

Net cash provided by operating activities amounted to ¥51.0 billion, down from ¥54.2 billion provided by such activities in fiscal year 2017. Income before income taxes and non-controlling interests was ¥48.8 billion, while the adjustment for depreciation and amortization amounted to ¥32.8 billion. Income taxes paid totaled ¥13.1 billion, while working capital increased ¥3.7 billion.

Investing Activities

Net cash used in investing activities came to ¥38.4 billion, down from ¥58.9 billion used in such activities in the previous fiscal year. A total of ¥11.5 billion was applied to the purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation. In contrast, proceeds from sales and redemption of investment securities came to ¥4.2 billion. Capital expenditure amounted to ¥32.1 billion.

Financing Activities

Net cash used in financing activities amounted to ¥11.8 billion, compared with ¥11.4 billion provided by such activities in fiscal year 2017. The net total of funds procured was ¥1.7 billion, while cash dividends paid totaled ¥11.4 billion.

5 Consolidated Balance Sheet

DIC Corporation and Consolidated Subsidiaries
December 31, 2018

Assets

	Millions of yen 2018	2017
Current assets:		
Cash and deposits (Notes 6, 11 and 19)	**¥ 19,782**	¥ 17,883
Notes and accounts receivable—trade (Notes 11, 19 and 20)	**209,763**	226,968
Merchandise and finished goods (Note 11)	**94,611**	90,010
Work in process (Note 11)	**9,403**	9,053
Raw materials and supplies (Note 11)	**61,937**	58,911
Deferred tax assets (Note 16)	**8,891**	9,574
Other (Note 19)	**23,878**	23,340
Allowance for doubtful accounts	**(9,722)**	(10,763)
Total current assets	**418,543**	424,976
Non-current assets:		
Property, plant and equipment (Notes 9, 10 and 11):		
Buildings and structures	**88,892**	92,443
Machinery, equipment and vehicles	**70,951**	70,554
Tools, furniture and fixtures	**11,395**	11,129
Land	**48,985**	50,307
Construction in progress	**7,928**	7,244
Total property, plant and equipment	**228,151**	231,677
Intangible assets:		
Goodwill	**34**	199
Software	**2,887**	3,837
Customer-related assets	**3,359**	874
Other	**7,502**	2,674
Total intangible assets	**13,782**	7,584
Investments and other assets:		
Investment securities (Notes 7, 8 and 19)	**67,523**	76,867
Deferred tax assets (Note 16)	**28,612**	31,871
Net defined benefit asset (Note 12)	**25,089**	33,408
Other (Notes 7 and 19)	**23,947**	26,858
Allowance for doubtful accounts	**(161)**	(1,485)
Total investments and other assets	**145,010**	167,519
Total non-current assets	**386,943**	406,780
Total assets	**¥805,486**	¥831,756

See notes to the consolidated financial statements.

Liabilities and Net Assets

	Millions of yen 2018	2017
Current liabilities:		
Notes and accounts payable—trade (Notes 19 and 20)	¥118,554	¥117,199
Short-term loans payable (Notes 11 and 19)	29,986	61,385
Current portion of long-term loans payable (Notes 11, 19 and 20)	49,792	27,677
Lease obligations (Notes 11 and 19)	667	557
Income taxes payable (Notes 16 and 19)	2,843	4,793
Deferred tax liabilities (Note 16)	325	399
Provision for bonuses	6,283	7,071
Other (Note 19)	47,476	47,509
Total current liabilities	255,926	266,590
Non-current liabilities:		
Bonds payable (Notes 11, 19 and 20)	60,000	50,000
Long-term loans payable (Notes 11, 19 and 20)	119,791	122,017
Lease obligations (Notes 11 and 19)	4,229	4,045
Deferred tax liabilities (Note 16)	6,672	11,653
Net defined benefit liability (Note 12)	20,519	22,774
Asset retirement obligations	1,482	1,329
Other	9,533	9,397
Total non-current liabilities	222,226	221,215
Total liabilities	478,152	487,805
Net assets:		
Shareholders' equity (Notes 13 and 23):		
Capital stock (Note 14)	96,557	96,557
Capital surplus	94,445	94,445
Retained earnings	207,421	186,768
Treasury shares (Note 15)	(1,823)	(1,828)
Total shareholders' equity	396,600	375,942
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,407	7,874
Deferred gains or losses on hedges	14	(3)
Foreign currency translation adjustment	(67,617)	(46,462)
Remeasurements of defined benefit plans (Note 12)	(31,508)	(22,222)
Total accumulated other comprehensive income	(97,704)	(60,813)
Non-controlling interests	28,438	28,822
Total net assets	327,334	343,951
Total liabilities and net assets	¥805,486	¥831,756

7 Consolidated Statement of Income

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2018

	Millions of yen	
	2018	2017
Net sales	¥805,498	¥789,427
Cost of sales	629,850	605,809
Gross profit	175,648	183,618
Selling, general and administrative expenses (Note 17)	127,263	127,135
Operating income	48,385	56,483
Non-operating income:		
Interest income	3,781	1,817
Dividends income	425	447
Equity in earnings of affiliates	3,845	4,069
Other	1,631	2,019
Total non-operating income	9,682	8,352
Non-operating expenses:		
Interest expenses	5,114	3,565
Foreign exchange losses	828	1,456
Other	3,423	2,854
Total non-operating expenses	9,365	7,875
Ordinary income	48,702	56,960
Extraordinary income:		
Gain on sales of investment securities	3,270	—
Gain on sales of subsidiaries and affiliates securities	679	315
Gain on sales of non-current assets	431	1,156
Insurance income	237	—
Gain on change in equity	—	641
Total extraordinary income	4,617	2,112
Extraordinary loss:		
Loss on disposal of non-current assets	2,535	2,682
Severance costs	1,539	951
Loss on disaster	409	—
Early termination fee	—	376
Impairment loss (Note 10)	—	234
Total extraordinary loss	4,483	4,243
Income before income taxes and non-controlling interests	48,836	54,829
Income taxes (Note 16):		
Income taxes—current	11,015	10,517
Income taxes—deferred	4,019	3,388
Total income taxes	15,034	13,905
Net income	33,802	40,924
Net income attributable to non-controlling interests	1,774	2,321
Net income attributable to owners of the parent	¥ 32,028	¥ 38,603

	Yen	
Earnings per share (Note 2):		
Basic	¥ 338.40	¥ 407.56
Diluted	—	—
Weighted-average number of shares issued during the period, excluding treasury shares (in thousands)	94,647	94,717
Cash dividends per share applicable to the period (Note 2)	¥ 125.00	¥ 120.00

See notes to the consolidated financial statements.

8 Consolidated Statement of Comprehensive Income

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2018

	Millions of yen	
	2018	2017
Net income	¥ 33,802	¥40,924
Other comprehensive income:		
Valuation difference on available-for-sale securities	(6,502)	2,590
Deferred gains or losses on hedges	17	183
Foreign currency translation adjustment	(20,203)	979
Remeasurements of defined benefit plans, net of tax (Note 12)	(9,413)	4,718
Share of other comprehensive income of associates accounted for using equity method	(1,545)	1,563
Total other comprehensive income (Note 22)	¥(37,646)	¥10,033
Comprehensive income	¥ (3,844)	¥50,957
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	¥ (4,863)	¥48,234
Comprehensive income attributable to non-controlling interests	1,019	2,723

See notes to the consolidated financial statements.

9 Consolidated Statement of Changes in Net Assets

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2018

Millions of yen

	Shareholders' equity					
	Issued number of common stock (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2017	95,157	¥96,557	¥94,094	¥ 159,541	¥(1,213)	¥ 348,979
Dividends from surplus, ¥120.00 per share (Note 13)				(11,376)		(11,376)
Net income attributable to owners of the parent				38,603		38,603
Purchase of treasury shares—155,741 shares					(615)	(615)
Change in ownership interest of parent due to transactions with non-controlling interests			351			351
Net changes of items other than shareholders' equity (Notes 8 and 13)						
Balance at December 31, 2017	95,157	96,557	94,445	186,768	(1,828)	375,942
Dividends from surplus, ¥120.00 per share (Note 13)				**(11,375)**		**(11,375)**
Net income attributable to owners of the parent				**32,028**		**32,028**
Purchase of treasury shares—2,642 shares					**(10)**	**(10)**
Disposal of treasury shares—3,900 shares					**15**	**15**
Net changes of items other than shareholders' equity (Notes 8 and 13)						
Balance at December 31, 2018	**95,157**	**¥96,557**	**¥94,445**	**¥ 207,421**	**¥(1,823)**	**¥ 396,600**

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	Non-controlling interests	Total net assets
Balance at January 1, 2017	¥ 5,248	¥(187)	¥(48,626)	¥(26,879)	¥(70,444)	¥28,482	¥ 307,017
Dividends from surplus, ¥120.00 per share (Note 13)							(11,376)
Net income attributable to owners of the parent							38,603
Purchase of treasury shares—155,741 shares							(615)
Change in ownership interest of parent due to transactions with non-controlling interests							351
Net changes of items other than shareholders' equity (Notes 8 and 13)	2,626	184	2,164	4,657	9,631	340	9,971
Balance at December 31, 2017	7,874	(3)	(46,462)	(22,222)	(60,813)	28,822	343,951
Dividends from surplus, ¥120.00 per share (Note 13)							**(11,375)**
Net income attributable to owners of the parent							**32,028**
Purchase of treasury shares—2,642 shares							**(10)**
Disposal of treasury shares—3,900 shares							**15**
Net changes of items other than shareholders' equity (Notes 8 and 13)	**(6,467)**	**17**	**(21,155)**	**(9,286)**	**(36,891)**	**(384)**	**(37,275)**
Balance at December 31, 2018	**¥ 1,407**	**¥ 14**	**¥(67,617)**	**¥(31,508)**	**¥(97,704)**	**¥28,438**	**¥ 327,334**

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2018

	Millions of yen	
	2018	2017
Net cash provided by (used in) operating activities:		
Income before income taxes and non-controlling interests	¥ 48,836	¥ 54,829
Adjustments for:		
Depreciation and amortization	32,825	31,524
Amortization of goodwill	156	345
Increase (decrease) in allowance for doubtful accounts	(263)	(720)
Increase (decrease) in provision for bonuses	(782)	13
Interest and dividends income	(4,206)	(2,264)
Equity in (earnings) losses of affiliates	(3,845)	(4,069)
Interest expenses	5,114	3,565
Loss (gain) on sales and retirement of non-current assets	2,104	1,526
Impairment loss	—	234
Loss (gain) on sales of subsidiaries and affiliates securities	(679)	(315)
Loss (gain) on sales of investment securities	(3,270)	—
Decrease (increase) in notes and accounts receivable—trade	6,897	(7,070)
Decrease (increase) in inventories	(14,516)	(9,742)
Increase (decrease) in notes and accounts payable—trade	3,966	9,328
Other, net	(9,524)	(11,246)
Subtotal	62,813	65,938
Interest and dividends income received	6,307	4,180
Interest expenses paid	(5,050)	(3,628)
Income taxes paid	(13,080)	(12,294)
Net cash provided by (used in) operating activities	50,990	54,196
Net cash provided by (used in) investing activities:		
Payments into time deposits	(3,832)	(8,231)
Proceeds from withdrawal of time deposits	2,893	8,560
Purchase of property, plant and equipment	(31,343)	(32,192)
Proceeds from sales of property, plant and equipment	1,336	2,103
Purchase of intangible assets	(741)	(1,392)
Purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	(11,524)	(515)
Proceeds from shares and investments in capital of subsidiaries resulting in change in scope of consolidation	679	—
Purchase of subsidiaries and affiliates securities	(157)	(27,209)
Proceeds from sales of subsidiaries and affiliates securities	671	—
Purchase of investment securities	(509)	(851)
Proceeds from sales and redemption of investment securities	4,150	465
Payments for transfer of business	(690)	(338)
Other, net	679	662
Net cash provided by (used in) investing activities	(38,388)	(58,938)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(29,689)	9,272
Proceeds from long-term loans payable	60,627	44,823
Repayment of long-term loans payable	(39,204)	(48,022)
Proceeds from issuance of bonds	10,000	20,000
Cash dividends paid	(11,375)	(11,376)
Cash dividends paid to non-controlling interests	(1,348)	(1,439)
Net decrease (increase) in treasury shares	5	(615)
Purchase of shares and investments in capital of subsidiaries that does not result in change in scope of consolidation	(62)	(578)
Other, net	(735)	(690)
Net cash provided by (used in) financing activities	(11,781)	11,375
Effect of exchange rate change on cash and cash equivalents	159	(5,653)
Net increase (decrease) in cash and cash equivalents	980	980
Cash and cash equivalents at beginning of the period (Note 6)	17,651	16,671
Cash and cash equivalents at end of the period (Note 6)	¥ 18,631	¥ 17,651

See notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2018

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 141 other companies in the fiscal year ended December 31, 2018 (138 other companies in the fiscal year ended December 31, 2017). 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 (the "Group") is eliminated.

Investments in 26 affiliates in the fiscal year ended December 31, 2018 (26 in the fiscal year ended December 31, 2017), are accounted for by the equity method.

Accounting period of consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

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 calculated by the moving-average method.

Allowance for doubtful accounts

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

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

Inventories

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

Property, plant and equipment (excluding leased assets)

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 facilities attached to buildings) of the Company and its domestic consolidated subsidiaries is calculated principally by the straight-line method. Besides, depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, is also calculated by the straight-line method. 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 (excluding leased 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

For the Company and its domestic consolidated subsidiaries, 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.

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.

Retirement and pension plans

Net defined benefit assets/liabilities are recognized 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. In calculating retirement benefit obligations, the Company applies a method of attributing expected retirement benefits to each period on a benefit formula basis. 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 costs are amortized in the accounting periods when they accrue.

Foreign 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 (8 to 28 years). Past service costs are amortized over 2 to 28 years.

Unrecognized actuarial gains and losses and unrecognized past service costs are recorded in "Remeasurements of defined benefit plans" in net assets after adjusting income tax effect.

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 non-controlling 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 Group uses foreign currency forward contracts, currency options and swaps, interest rate swaps and commodity swaps. To hedge a part of the risks associated with the fluctuations of exchange rates for net investments in foreign entities, the Company uses loans denominated in foreign currencies. The Group does 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 swaps will be recognized in interest expenses or interest income.

Per share information

Earnings per share (basic) is computed by dividing net income attributable to owners of the parent available to common shareholders by the weighted-average number of shares issued for the period, retroactively adjusted for stock splits.

The Company implemented a consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date. Earnings per share (basic) is calculated based on the assumption that the consolidation had been implemented at the beginning of the fiscal year ended December 31, 2016.

Earnings per share (diluted) reflects the potential dilution that could occur if securities were exercised or converted into common stock. Earnings per share (diluted) 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.

Cash dividends per share applicable to the period for the fiscal year ended December 31, 2016, comprises interim dividends of ¥4.00 (before the consolidation) and year-end dividends of ¥60.00 (after the consolidation). If the consolidation had been taken into consideration, cash dividends per share applicable to the period for the fiscal year ended December 31, 2016, would be ¥100.00.

From the fiscal year ended December 31, 2017, the Company introduced the Board Benefit Trust (BBT). The shares held by the trust are recorded under net assets as treasury shares. The number of treasury shares excluded from the number of shares issued as of the balance sheet date used for the calculation of equity per share includes the number of shares held by the trust. The number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year used for the calculation of earnings per share includes the number of shares held by the trust.

Note 3:

Changes in Presentation (Consolidated Balance Sheet)

Under "Intangible assets," "Customer-related assets," which was previously included in "Other," is now presented separately from the fiscal year ended December 31, 2018, owing to its increased financial materiality.

To reflect this change, ¥3,548 million presented as "Other" under "Intangible assets" in the consolidated balance sheet of the previous fiscal year has been reclassified, with ¥874 million presented as "Customer-related assets" and ¥2,674 million presented as "Other."

Note 4:

New Accounting Pronouncements

Implementation Guidance on Tax Effect Accounting

- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, revised on February 16, 2018)
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, revised on February 16, 2018)

(1) Overview

Implementation Guidances have been reviewed and amended at the following points, deemed necessary in transferring the control over the practical guidelines for tax effect accounting from the Japanese Institute of Certified Public Accountants ("JICPA") to the Accounting Standards Board of Japan (ASBJ), basically following their contents.
(Main accounting treatments reviewed and amended)

- Treatments for taxable temporary differences for investments in subsidiaries within the context of non-consolidated financial statements
- Treatments in determining recoverability of deferred tax assets in a company which was categorized as 'Type 1' according to the guidance

(2) Date of adoption

The Company and its domestic consolidated subsidiaries will adopt these revised implementation guidances from the beginning of the fiscal year ending December 31, 2019.

(3) Impact of the adoption of the revised implementation guidances

The Company is in the process of measuring the effects of applying these revised implementation guidances in future applicable periods.

Accounting Standard for Revenue Recognition

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued on March 30, 2018)

(1) Overview

The International Accounting Standard Board ("IASB") and the Financial Accounting Standard Board ("FASB") jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" in May 2014 (IFRS 15 by IASB, and ASU 2014-09 by FASB).

IFRS 15 was applied for annual reporting periods beginning on or after January 1, 2018, and ASU 2014-09 was also applied from annual reporting periods beginning after December 15, 2017. Based on such a situation, the ASBJ developed the comprehensive accounting standard for revenue recognition and the implementation guidance and issued them together.

The basic objective of the ASBJ in developing the accounting standards regarding revenue recognition, was to enhance comparability between financial statements, which is one of the points of convenience of interfacing with IFRS 15. Accordingly, the accounting standard fundamentally incorporates the basic policies of IFRS 15. Also, where there are items that should be considered to reflect the business practices in Japan, alternative policies will be added to the extent that comparability is not lost.

(2) Date of adoption

The Company and its domestic consolidated subsidiaries will adopt the issued accounting standard and implementation guidance from the beginning of the fiscal year ending December 31, 2022.

(3) Impact of the adoption of the accounting standard and implementation guidance

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

IFRS 16 Leases
ASU 2016-02 Leases
(1) Overview

The IASB issued IFRS 16 Leases, concurrently with the introduction of ASU 2016-02 into the FASB's Accounting Standards Codification. These accounting standards require lessees to recognize a right-of-use asset and a lease liability in the statement of financial position. There are no significant changes for lessors in these accounting standards.

(2) Date of adoption

Foreign consolidated subsidiaries will adopt IFRS 16 from the beginning of the fiscal year ending December 31, 2019, and ASU 2016-02 from the beginning of the fiscal year ending December 31, 2020.

(3) Impact of the adoption of the accounting standards

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

Note 5: Additional Information

Board Benefit Trust (BBT)

With regard to the compensation for executive officers, as well as directors who concurrently serve as executive officers (the "Target Officers"), the Company introduced a performance-based stock compensation plan called Board Benefit Trust (BBT) (the "Plan") from the fiscal year ended December 31, 2017. The purpose of the Plan is to further clarify the linkage between the compensation of the Target Officers, and corporate performance and the value of the Company's shares. The intended result is strengthening the Target Officers' awareness of their contributions to the medium- to long-term improvement of corporate performance and value.

Accounting treatment related to the trust agreement is in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

(1) Outline of the transactions

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

(2) The Company's shares remaining in the trust

The shares remaining in the trust are recorded under net assets as treasury shares at the book value in the trust (excluding incidental costs). The book value and the number of such treasury shares are ¥584 million and 148 thousand as of December 31, 2018, and ¥599 million and 152 thousand as of December 31, 2017, respectively.

Note 6: Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2018 and 2017, include the following:

	Millions of yen	
	2018	2017
Cash and deposits	¥19,782	¥17,883
Less: time deposits and short-term investments which mature over three months after the date of acquisition	(1,151)	(232)
Cash and cash equivalents	¥18,631	¥17,651

Note 7:

Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates as of December 31, 2018 and 2017, include the following:

	Millions of yen	
	2018	2017
Investments in stock of unconsolidated subsidiaries and affiliates	¥53,498	¥53,213
Investments in equity of unconsolidated subsidiaries and affiliates	1,053	1,053
Total	¥54,551	¥54,266

Note 8:

Investment Securities

The carrying amounts and aggregate fair values of available-for-sale securities at December 31, 2018 and 2017, are as follows:

	Millions of yen			
	2018			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale securities:				
Stocks	¥8,338	¥2,865	¥(718)	¥10,485
Total	¥8,338	¥2,865	¥(718)	¥10,485

	Millions of yen			
	2017			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale securities:				
Stocks	¥8,121	¥11,437	¥(21)	¥19,537
Total	¥8,121	¥11,437	¥(21)	¥19,537

Proceeds from sales of investment securities for the year ended December 31, 2018, are ¥4,150 million. Gross realized gains on these sales, computed on the moving-average cost basis, are ¥3,270 million for the year ended December 31, 2018.

Note 9:

Property, Plant and Equipment

Accumulated depreciation on property, plant and equipment as of December 31, 2018 and 2017, is ¥555,347 million and ¥559,793 million, respectively.

Note 10:

Impairment of Long-Lived Assets

There was no impairment loss of long-lived assets for the fiscal year ended December 31, 2018.

Impairment losses on long-lived assets for the fiscal year ended December 31, 2017, for each asset group are as follows:

			Millions of yen
			2017
Used status	Category of assets	Location	Allocated impairment loss
Factory assets in use	Machinery, equipment and vehicles, buildings and structures, and other	India	¥200
Idle assets	Buildings and structures, machinery, equipment and vehicles, and other	Ibaraki, Japan	34
Total			¥234

The carrying amount of the factory assets in use 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.

The book value of factory assets in use has been lowered to the recoverable amount. All the book values of idle assets have been recognized as impairment loss.

Note 11:

Short-Term Loans Payable and Long-Term Loans Payable

Information with respect to short-term loans payable at December 31, 2018 and 2017, is as follows:

The average interest rate for the fiscal years ended December 31, 2018 and 2017, is 1.92% and 2.19%, respectively, for short-term loans payable, and -0.01% and -0.01%, respectively, for commercial papers.

Bonds payable, long-term loans payable and lease obligations at December 31, 2018 and 2017, comprise the following:

	Millions of yen	
	2018	2017
0.53% Japanese yen notes due 2022	¥ 10,000	¥ 10,000
1.00% Japanese yen notes due 2025	10,000	10,000
0.95% Japanese yen notes due 2036	5,000	5,000
0.36% Japanese yen notes due 2026	5,000	5,000
0.42% Japanese yen notes due 2027	10,000	10,000
0.15% Japanese yen notes due 2022	10,000	10,000
0.15% Japanese yen notes due 2023	10,000	—
Loans due 2019–2028, with an average interest rate of 0.90%	169,583	149,694
Lease obligations	4,896	4,602
Subtotal	234,479	204,296
Less: current portion of long-term loans payable	(49,792)	(27,677)
Less: current portion of bonds	—	—
Less: lease obligations—current	(667)	(557)
Total	¥184,020	¥176,062

The annual maturities of bonds payable, long-term loans payable and lease obligations for the fiscal years subsequent to December 31, 2018, are as follows:

	Millions of yen
2019	¥ 50,459
2020	24,214
2021	40,354
2022	47,188
2023	15,498
Thereafter	56,766
Total	¥234,479

The amounts of assets pledged as collateral and secured borrowings and loans at December 31, 2018, comprise the following:

	Millions of yen
Assets pledged as collateral:	
Cash and deposits	¥ 4
Notes and accounts receivable—trade	3,792
Inventories	2,208
Property, plant and equipment	559
Total	¥6,563
Secured borrowings and loans:	
Short-term loans payable	¥ 90
Total	¥ 90

Note 12:

Retirement and Pension Plans

(1) Overview of adopted retirement and pension plans

The Company and a number of domestic consolidated subsidiaries have defined benefit pension plans such as a cash balance–style pension plan and retirement plans, and defined contribution pension plans. Some foreign 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.

(2) Defined benefit pension plans (including multi-employer plan)

Changes in defined benefit obligations

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2018	¥93,561	¥153,835
Service cost	2,211	693
Interest cost	739	3,918
Actuarial gains and losses	(106)	(9,072)
Benefits paid	(4,727)	(6,148)
Past service cost	—	(69)
Exchange translation differences	—	(8,386)
Other	—	295
As of December 31, 2018	¥91,678	¥135,066

Note: Some of the domestic consolidated subsidiaries have adopted a simplified method for the calculation of retirement benefits.

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2017	¥95,274	¥146,257
Service cost	2,225	717
Interest cost	752	4,661
Actuarial gains and losses	(70)	4,767
Benefits paid	(4,620)	(6,342)
Past service cost	—	8
Exchange translation differences	—	3,697
Other	—	70
As of December 31, 2017	¥93,561	¥153,835

Note: Some of the domestic consolidated subsidiaries have adopted a simplified method for the calculation of retirement benefits.

Changes in plan assets

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2018	¥ 125,464	¥ 132,566
Expected return on plan assets	3,206	6,163
Actuarial gains and losses	(11,247)	(12,992)
Contributions by the employer	1,537	4,703
Benefits paid	(4,651)	(5,964)
Exchange translation differences	—	(7,515)
Other	—	44
As of December 31, 2018	¥ 114,309	¥ 117,005

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2017	¥121,278	¥120,255
Expected return on plan assets	3,051	6,295
Actuarial gains and losses	4,641	6,109
Contributions by the employer	1,012	2,794
Benefits paid	(4,518)	(6,153)
Exchange translation differences	—	3,214
Other	—	52
As of December 31, 2017	¥125,464	¥132,566

Reconciliation of defined benefit obligations and plan assets on retirement benefits recognized in the consolidated balance sheet

	Millions of yen	
	2018	
	Domestic plans	Foreign plans
Funded defined benefit obligations	¥ 90,473	¥ 134,098
Plan assets	(114,309)	(117,005)
Subtotal	(23,836)	17,093
Unfunded defined benefit obligations	1,205	968
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (22,631)	¥ 18,061
Liabilities (net defined benefit liability)	¥ 1,630	¥ 18,889
Assets (net defined benefit asset)	(24,261)	(828)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (22,631)	¥ 18,061

	Millions of yen	
	2017	
	Domestic plans	Foreign plans
Funded defined benefit obligations	¥ 92,418	¥ 152,831
Plan assets	(125,464)	(132,566)
Subtotal	(33,046)	20,265
Unfunded defined benefit obligations	1,143	1,004
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (31,903)	¥ 21,269
Liabilities (net defined benefit liability)	¥ 1,366	¥ 21,408
Assets (net defined benefit asset)	(33,269)	(139)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (31,903)	¥ 21,269

Retirement benefit expenses and its breakdowns

	Millions of yen	
	2018	
	Domestic plans	Foreign plans
Service cost	¥ 2,211	¥ 693
Interest cost	739	3,918
Expected return on plan assets	(3,206)	(6,163)
Recognition of actuarial gains and losses	(678)	1,303
Amortization of past service cost	—	(69)
Total	¥ (934)	¥ (318)

Note: Other than these retirement benefit expenses, severance costs in the consolidated statement of income include retiree premium benefit.

	Millions of yen	
	2017	
	Domestic plans	Foreign plans
Service cost	¥ 2,225	¥ 717
Interest cost	752	4,661
Expected return on plan assets	(3,051)	(6,295)
Recognition of actuarial gains and losses	(264)	1,472
Amortization of past service cost	—	8
Total	¥ (338)	¥ 563

Note: Other than these retirement benefit expenses, severance costs in the consolidated statement of income include retiree premium benefit.

Past service cost and actuarial gains and losses

The past service cost and actuarial gains and losses recognized in accumulated other comprehensive income as remeasurements of defined benefit plans (amount before income tax effect) for the fiscal years ended December 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	
	Domestic plans	Foreign plans
Past service cost	**¥ —**	**¥ (876)**
Actuarial gains and losses	**(11,819)**	**(278)**
Total	**¥(11,819)**	**¥(1,154)**

	Millions of yen	
	2017	
	Domestic plans	Foreign plans
Past service cost	¥ —	¥ 4
Actuarial gains and losses	4,448	1,901
Total	¥4,448	¥1,905

Unrecognized past service cost and unrecognized actuarial gains and losses

The unrecognized past service cost and unrecognized actuarial gains and losses recognized in accumulated other comprehensive income as remeasurements of defined benefit plans (amount before income tax effect) for the fiscal years ended December 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	
	Domestic plans	Foreign plans
Unrecognized past service cost	**¥ —**	**¥ (747)**
Unrecognized actuarial gains and losses	**(1,795)**	**(44,827)**
Total	**¥(1,795)**	**¥(45,574)**

	Millions of yen	
	2017	
	Domestic plans	Foreign plans
Unrecognized past service cost	¥ —	¥ 129
Unrecognized actuarial gains and losses	10,024	(44,549)
Total	¥10,024	¥(44,420)

Major breakdown of plan assets

	2018	
	Domestic plans	Foreign plans
Equity securities	**49.6%**	**24.8%**
Debt securities	**24.9%**	**56.3%**
Other	**25.5%**	**18.9%**
Total	**100.0%**	**100.0%**

Note: 23.5% of the assets of the domestic plans are available-for-sale securities contributed to the employee retirement benefit trust.

	2017	
	Domestic plans	Foreign plans
Equity securities	51.8%	29.0%
Debt securities	22.0%	58.0%
Other	26.2%	13.0%
Total	100.0%	100.0%

Note: 27.5% of the assets of the domestic plans are available-for-sale securities contributed to the employee retirement benefit trust.

Actuarial assumptions

	2018	
	Domestic plans	Foreign plans
Discount rate	**0.8%**	**1.3%–4.4%**
Expected return rate on plan assets	**3.0%**	**4.9%–6.0%**
Expected rate of increase in salary	**3.1%**	**2.0%–3.5%**

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.

	2017	
	Domestic plans	Foreign plans
Discount rate	0.8%	1.2%–3.7%
Expected return rate on plan assets	3.0%	5.0%–6.2%
Expected rate of increase in salary	3.3%	2.0%–3.5%

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.

(3) Defined contribution pension plans

The required contributions borne by the Company and a number of consolidated subsidiaries in relation to the defined contribution pension plans for the fiscal years ended December 31, 2018 and 2017, are ¥1,940 million and ¥2,042 million, respectively.

Note 13: 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:

(1) 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: (a) having a board of directors, (b) having independent auditors, (c) having a board of corporate auditors and (d) the term of service of the directors being prescribed as one year rather than the two years of a 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 shares. 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.

(2) Increases/decreases and transfer of common stocks, 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.

(3) Treasury shares and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury shares and dispose of such treasury shares by resolution of the board of directors. The amount of treasury shares purchased cannot exceed the amount available for distribution to the shareholders which is determined by a 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 stock acquisition rights and treasury shares. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Note 14: Capital Stock

The total amount of capital stock authorized as of December 31, 2018 and December 31, 2017, is 150,000,000 shares.

The total amount of capital stock issued as of December 31, 2018 and December 31, 2017, is 95,156,904 shares.

Note 15: Treasury Shares

The number of treasury shares as of December 31, 2018 and 2017, are as follows:

				Shares
				2018
	As of January 1, 2018	Increase in FY2018	Decrease in FY2018	As of December 31, 2018
Treasury shares:				
Common stock	**512,293**	**2,642**	**3,900**	**511,035**
Total	**512,293**	**2,642**	**3,900**	**511,035**

Notes: 1. The shares held by the Board Benefit Trust (BBT) (147,800 shares) are included in the number of treasury shares.
2. The increase of treasury shares of common stock (2,642 shares) was due to the purchase of odd-lot shares.
3. The decrease of treasury shares of common stock (3,900 shares) was due to the benefit of the Company's shares by the Board Benefit Trust (BBT).

				Shares
				2017
	As of January 1, 2017	Increase in FY2017	Decrease in FY2017	As of December 31, 2017
Treasury shares:				
Common stock	356,552	155,741	—	512,293
Total	356,552	155,741	—	512,293

Notes: 1. The shares held by the Board Benefit Trust (BBT) (151,700 shares) are included in the number of treasury shares.
2. The increase of treasury shares of common stock (155,741 shares) was due to the purchase of odd-lot shares (4,041 shares) and the acquisition of the Company's shares by the Board Benefit Trust (BBT) (151,700 shares).

Note 16:

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, 2018 and 2017, are as follows:

	2018	2017
Normal effective statutory tax rate in Japan	30.9%	30.9%
Adjustments:		
Valuation allowance change	(0.6)%	(6.3)%
Tax rate differences	(4.6)%	(5.0)%
Equity in earnings of affiliates	(2.4)%	(2.2)%
Entertainment and other non-deductible expenses	2.4%	1.5%
Elimination of intercompany dividends income	12.0%	14.8%
Dividends income and other non-taxable income	(9.8)%	(9.4)%
State, provincial, municipal and local taxes	0.8%	0.7%
Tax credit for research and development and others	(1.7)%	(2.7)%
Adoption of FIN48	—%	(0.3)%
Tax credit for the Special Tax Law for the March 11 Earthquake	(0.8)%	(1.6)%
Other	4.6%	5.0%
Actual effective tax rate	30.8%	25.4%

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities, as of December 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	2017
Deferred tax assets:		
Inventories	¥ 3,407	¥ 3,339
Property, plant and equipment	4,155	4,371
Intangible assets	4,470	5,815
Research and development costs	4,736	4,711
Allowance for doubtful accounts	1,788	1,857
Provision for bonuses	1,917	2,112
Net defined benefit liability	5,464	5,881
Unrealized gain	900	992
Net operating loss carryforwards	18,974	20,816
Other	9,176	10,429
Subtotal	54,987	60,323
Less: valuation allowance	(12,084)	(13,576)
Total	42,903	46,747
Deferred tax liabilities:		
Property, plant and equipment	(3,120)	(3,359)
Net defined benefit asset	(1,728)	(3,231)
Contribution of securities to employee retirement benefit trust	(1,277)	(1,510)
Deferred income taxes related to gains from property, plant and equipment	(2,791)	(2,883)
Valuation difference on available-for-sale securities	(665)	(3,442)
Other	(2,816)	(2,929)
Total	(12,397)	(17,354)
Net deferred tax assets	¥ 30,506	¥ 29,393

Note 17:

Research and Development Costs

Research and development costs charged to income for the fiscal years ended December 31, 2018 and 2017, are ¥12,923 million and ¥12,427 million, respectively.

Note 18:

Leases

Operating leases

Future minimum rental payments under non-cancellable operating leases at December 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	2017
Due within one year	¥ 2,570	¥ 2,652
Due after one year	7,676	8,270
Total	¥10,246	¥10,922

Note 19:

Financial Instruments

Group policy for financial instruments

The Group manages 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 account balances at the time.

Nature and extent of risks arising from financial instruments

Receivables such as trade notes and accounts receivable 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.

Payment terms of payables, such as trade notes and accounts payable, are less than one year. In addition, some of such payables 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, 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 the sales and business administration departments 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 Group also tries to mitigate liquidity risk by arranging lines of credit with financial institutions, along with adequate financial planning.

Fair values of financial instruments

The following tables present the carrying amounts and the fair values of financial instruments at December 31, 2018 and 2017. Financial instruments whose fair values are not reliably measured are excluded from the tables below.

	Millions of yen		
	2018		
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	¥ 19,782	¥ 19,782	¥ —
Notes and accounts receivable—trade	209,763	209,763	—
Investment securities			
Stocks of subsidiaries and affiliates	27,497	25,120	(2,377)
Other	10,485	10,485	—
Total	¥267,527	¥265,150	¥(2,377)
Liabilities:			
Notes and accounts payable—trade	¥118,554	¥118,554	¥ —
Short-term loans payable	29,986	29,986	—
Current portion of long-term loans payable	49,792	49,817	25
Lease obligations (current)	667	667	—
Income taxes payable	2,843	2,843	—
Bonds payable	60,000	60,648	648
Long-term loans payable	119,791	120,091	300
Lease obligations (non-current)	4,229	4,565	336
Total	¥385,862	¥387,171	¥ 1,309
Derivative financial instruments: (Note)			
Hedge accounting—not applied	¥ 152	¥ 152	¥ —
Hedge accounting—applied	19	19	—
Total	¥ 171	¥ 171	¥ —

Note: Figures are net of debts and credits that arise from derivative financial instruments. Net debt amounts are indicated in parentheses.

	Millions of yen		
	2017		
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	¥ 17,883	¥ 17,883	¥ —
Notes and accounts receivable—trade	226,968	226,968	—
Investment securities			
Stocks of subsidiaries and affiliates	27,955	35,436	7,481
Other	19,537	19,537	—
Total	¥292,343	¥299,824	¥7,481
Liabilities:			
Notes and accounts payable—trade	¥117,199	¥117,199	¥ —
Short-term loans payable	61,385	61,385	—
Current portion of long-term loans payable	27,677	27,690	13
Lease obligations (current)	557	557	—
Income taxes payable	4,793	4,793	—
Bonds payable	50,000	50,395	395
Long-term loans payable	122,017	122,141	124
Lease obligations (non-current)	4,045	4,414	369
Total	¥387,673	¥388,574	¥ 901
Derivative financial instruments: (Note)			
Hedge accounting—not applied	¥ (394)	¥ (394)	¥ —
Hedge accounting—applied	(4)	(4)	—
Total	¥ (398)	¥ (398)	¥ —

Note: 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 values of financial instruments and information on the marketable securities and derivative financial instruments are as follows:

Assets

Cash and deposits and notes and accounts receivable–trade

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

Investment securities

The fair values of investment securities are measured at the quoted market price on the stock exchange.

Liabilities

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

The fair values of these accounts approximate 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

For long-term loans payable bearing a floating interest rate, the fair values of those subject to special treatment of interest rate swaps are based on present value by totaling the amount of principal and interest, together with related interest rate swaps, discounted by the interest rate that would apply if equivalent long-term loans were newly entered into. The fair values of other long-term loans payable for which a floating interest rate is applied approximate their carrying amounts, due to the fact that the market rate of interest is quickly factored in while credit status of the Company remains unchanged.

On the other hand, the fair values of long-term loans payable for which a fixed interest rate is applied are 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.

Lease obligations (current) and lease obligations (non-current)

The fair values of these accounts are 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.

Bonds payable

The fair values are measured at the quoted market prices.

Derivative financial instruments

Please see Note 20 "Derivative Financial Instruments" for more information.

Financial instruments whose fair values are not reliably measured

There are no market prices for non-listed stocks and others (carrying amounts as of December 31, 2018 and 2017, are ¥29,541 million and ¥29,375 million, respectively) whose future cash flows cannot be estimated. The fair values of such non-listed stocks and others are not reliably determinable and thus 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, 2018 and 2017, are summarized as follows:

				Millions of yen
				2018
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Notes and accounts receivable—trade	**¥209,763**	**¥—**	**¥—**	**¥—**
Total	**¥209,763**	**¥—**	**¥—**	**¥—**

				Millions of yen
				2017
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Notes and accounts receivable—trade	¥226,968	¥—	¥—	¥—
Total	¥226,968	¥—	¥—	¥—

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, 2018 and 2017, are summarized as follows:

				Millions of yen
				2018
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Short-term loans payable	**¥29,986**	**¥ —**	**¥ —**	**¥ —**
Current portion of long-term loans payable	**49,792**	**—**	**—**	**—**
Lease obligations (current)	**667**	**—**	**—**	**—**
Bonds payable	**—**	**30,000**	**25,000**	**5,000**
Long-term loans payable	**—**	**94,823**	**24,968**	**—**
Lease obligations (non-current)	**—**	**2,431**	**1,798**	**—**
Total	**¥80,445**	**¥127,254**	**¥51,766**	**¥5,000**

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	Millions of yen			
	2017			
Short-term loans payable	¥61,385	¥ —	¥ —	¥ —
Current portion of long-term loans payable	27,677	—	—	—
Lease obligations (current)	557	—	—	—
Bonds payable	—	20,000	25,000	5,000
Long-term loans payable	—	112,017	10,000	—
Lease obligations (non-current)	—	1,925	2,120	—
Total	¥89,619	¥133,942	¥37,120	¥5,000

Note 20:

Derivative Financial Instruments

The Group has entered into various foreign currency forward contracts, currency options and swaps, interest rate swaps and commodity swaps.

Foreign currency forward contracts and currency options and swaps are entered into to hedge the effects of exchange rate changes on receivables and payables or anticipated transactions denominated in foreign currencies. Interest rate swaps are entered into to hedge the effects of interest rate changes and to reduce financing cost. Commodity swaps 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 rates for investments in foreign entities.

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

Because these transactions are executed with creditworthy financial institutions, the Group does 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 officer in charge of the Finance and Accounting Division.

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, 2018 and 2017

(1) Currency related

	Millions of yen			
	2018			
	Contract/notional amount	Contract/notional amount due after one year	Fair value	Unrealized gain/loss
Currency options: (Note 1)				
Selling				
Euro	¥ 1,205	¥—	¥(14)	¥(14)
Buying				
U.S.$	1,252	—	37	37
Other	865	—	4	4
Foreign currency forward contracts: (Note 2)				
Selling				
Russian ruble	2,736	—	106	106
Colombian peso	1,549	—	18	18
Canadian $	1,273	—	20	20
Other	380	—	(8)	(8)
Buying				
U.S.$	3,878	—	(14)	(14)
Other	394	—	3	3
Total	¥13,532	¥—	¥152	¥152

Notes: 1. The fair values of currency options are 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 values of foreign currency forward contracts are measured using the forward quotation.

	Millions of yen			
	2017			
	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.$)	¥ 826	¥—	¥ 12	¥ 12
Other	437	—	4	4
Currency options: (Note 1)				
Selling				
Euro	603	—	(5)	(5)
Buying				
U.S.$	6,578	—	(118)	(118)
Euro	1,124	—	2	2
Foreign currency forward contracts: (Note 2)				
Selling				
Russian ruble	5,812	—	(39)	(39)
Colombian peso	1,724	—	11	11
Canadian $	1,586	—	(108)	(108)
Other	1,486	—	(24)	(24)
Buying				
U.S.$	2,836	—	(101)	(101)
Other	291	—	(28)	(28)
Total	¥23,303	¥—	¥(394)	¥(394)

Notes: 1. The fair values of currency swaps and currency options are 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 values of foreign currency forward contracts are measured using the forward quotation.

Derivative transactions to which hedge accounting is applied at December 31, 2018 and 2017

(1) Currency related

	Hedged item	Millions of yen 2018 Contract/notional amount	Contract/notional amount due after one year	Fair value
Foreign currency forward contracts: (Note 1)				
Selling				
U.S.$	Forecast transaction	¥ 391	¥—	¥ 9
Other		338	—	7
Buying				
U.S.$	Accounts payable—trade	78	—	(1)
Foreign currency forward contracts: (Notes 1 and 2)				
Selling				
U.S.$	Accounts receivable—trade	2,552	—	
Other		540	—	
Total		¥3,899	¥—	¥15

Notes: 1. The fair values of foreign currency forward contracts are measured using the quoted price obtained from financial institutions.
2. Exchange contracts appropriated to specific debts and credits are settled together with either accounts receivable–trade, loans payable or accounts payable–trade subject to hedged transaction. Accordingly, the fair values of such exchange contracts are reflected in accounts receivable–trade, loans payable or accounts payable–trade.

	Hedged item	Millions of yen 2017 Contract/notional amount	Contract/notional amount due after one year	Fair value
Foreign currency forward contracts: (Note 1)				
Selling				
U.S.$	Forecast transaction	¥ 1,582	¥—	¥ 9
Other		263	—	(2)
Buying				
U.S.$	Accounts payable—trade	113	—	(1)
Other		14	—	0
Foreign currency forward contracts: (Notes 1 and 2)				
Selling				
U.S.$	Accounts receivable—trade	3,094	—	
Other		356	—	
Buying				
U.S.$	Loans payable and Accounts payable—trade	1,379	—	
Chinese yuan		1,351	—	
Currency swaps: (Notes 1 and 2)				
(Payment in Japanese yen and receipt in U.S.$)	Loans payable	36,643	—	
Total		¥44,795	¥—	¥ 6

Notes: 1. The fair values of currency swaps and foreign currency forward contracts are 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, loans payable or accounts payable–trade subject to hedged transaction. Accordingly, the fair values of such exchange contracts are reflected in accounts receivable–trade, loans payable or accounts payable–trade.

(2) Interest related

	Hedged item	Contract/notional amount	Contract/notional amount due after one year	Fair value
				Millions of yen
				2018
Interest rate swaps: (Note) (Fixed rate payment, floating rate receipt)	Loans payable	**¥62,596**	**¥46,559**	
Total		**¥62,596**	**¥46,559**	**¥—**

Note: If interest rate swaps qualify for hedge accounting and meet certain specific criteria, they are settled together with loans payable subject to hedged transaction. Accordingly, the fair values of such interest rate swaps are reflected in loans payable.

	Hedged item	Contract/notional amount	Contract/notional amount due after one year	Fair value
				Millions of yen
				2017
Interest rate swaps: (Note) (Fixed rate payment, floating rate receipt)	Loans payable	¥47,540	¥36,270	
Total		¥47,540	¥36,270	¥—

Note: If interest rate swaps qualify for hedge accounting and meet certain specific criteria, they are settled together with loans payable subject to hedged transaction. Accordingly, the fair values of such interest rate swaps are reflected in loans payable.

(3) Commodity related

	Hedged item	Contract/notional amount	Contract/notional amount due after one year	Fair value
				Millions of yen
				2018
Commodity swaps: (Note) (Fixed price payment, floating price receipt)	Fuel	**¥153**	**¥42**	**¥4**
Total		**¥153**	**¥42**	**¥4**

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

	Hedged item	Contract/notional amount	Contract/notional amount due after one year	Fair value
				Millions of yen
				2017
Commodity swaps: (Note) (Fixed price payment, floating price receipt)	Fuel	¥170	¥47	¥(10)
Total		¥170	¥47	¥(10)

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

Note 21: Commitments and Contingent Liabilities

Contingent liabilities at December 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	2017
Trade notes discounted with banks	**¥ 9**	¥ 21
Liabilities for guarantee and other	**637**	705
Total	**¥646**	¥726

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

Note 22:

Other Comprehensive Income

Each component of other comprehensive income and related tax effects (including those on non-controlling interests) for the fiscal years ended December 31, 2018 and 2017, comprises the following:

	Millions of yen	
	2018	2017
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	¥ (6,160)	¥ 3,940
Reclassification adjustments to profit (loss)	(3,118)	(214)
Amount before income tax effect	(9,278)	3,726
Income tax effect	2,776	(1,136)
Total	(6,502)	2,590
Deferred gains or losses on hedges:		
Gains (losses) arising during the year	6	37
Reclassification adjustments to profit (loss)	17	227
Amount before income tax effect	23	264
Income tax effect	(6)	(81)
Total	17	183
Foreign currency translation adjustment:		
Adjustments arising during the year	(20,112)	1,015
Reclassification adjustments to profit (loss)	(91)	(36)
Amount before income tax effect	(20,203)	979
Total	(20,203)	979
Remeasurements of defined benefit plans:		
Adjustments arising during the year	(13,529)	5,137
Reclassification adjustments to profit (loss)	556	1,216
Amount before income tax effect	(12,973)	6,353
Income tax effect	3,560	(1,635)
Total	(9,413)	4,718
Share of other comprehensive income of associates accounted for using equity method:		
Gains (losses) arising during the year	(1,547)	1,565
Reclassification adjustments to profit (loss)	2	(2)
Total	(1,545)	1,563
Total other comprehensive income	¥(37,646)	¥10,033

Note 23:

Subsequent Events

At the Company's annual general meeting of shareholders held on March 27, 2019, the shareholders approved the following appropriations of retained earnings:

	Millions of yen
Cash dividends, ¥65.00 per share	¥6,162
Total	¥6,162

Note: The total amount of dividends resolved at the annual general meeting of shareholders held on March 27, 2019, includes dividends of ¥10 million for the Company's shares held by the Board Benefit Trust (BBT).

Note 24: 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," "Pigments," "Liquid Crystal Materials," "Polymers," "Liquid Compounds," "Solid Compounds" and "Application Materials," and each product division conducts its business.

The product divisions are aggregated into five reportable segments, namely "Printing Inks," "Fine Chemicals," "Polymers," "Compounds" 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. "Compounds" mainly consists of polyphenylene sulfide (PPS) compounds, jet inks and plastic colorants. "Application Materials" mainly consists of industrial adhesive tapes and health foods.

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

	2018							
	Reportable Segments							
	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Total	Others	Total
Sales:								
Sales to customers	¥380,558	¥ 99,659	¥201,231	¥65,111	¥58,427	¥804,986	¥ 512	¥805,498
Intersegment sales	—	32,608	4,587	111	52	37,358	—	37,358
Total sales	380,558	132,267	205,818	65,222	58,479	842,344	512	842,856
Segment profit	13,783	16,409	17,532	3,221	3,196	54,141	95	54,236
Segment assets	¥319,462	¥ 98,276	¥208,859	¥89,036	¥53,748	¥769,381	¥36,108	¥805,489
Others:								
Depreciation and amortization	11,611	4,846	8,131	4,606	2,148	31,342	378	31,720
Amortization of goodwill	22	1	103	—	—	126	30	156
Investments in affiliates	2,630	1,149	21,616	23,945	1,632	50,972	3,579	54,551
Increase in property, plant and equipment and intangible assets	9,212	6,461	8,637	4,284	3,069	31,663	250	31,913

Millions of yen

2017

	Reportable Segments							
	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Total	Others	Total
Sales:								
Sales to customers	¥373,666	¥100,878	¥193,649	¥64,605	¥56,019	¥788,817	¥ 610	¥789,427
Intersegment sales	—	34,542	4,234	75	58	38,909	—	38,909
Total sales	373,666	135,420	197,883	64,680	56,077	827,726	610	828,336
Segment profit	17,447	17,355	19,608	4,989	2,598	61,997	58	62,055
Segment assets	¥324,999	¥ 98,203	¥214,438	¥94,350	¥53,239	¥785,229	¥39,905	¥825,134
Others:								
Depreciation and amortization	10,741	4,906	7,931	4,500	2,006	30,084	408	30,492
Amortization of goodwill	54	124	137	—	—	315	30	345
Investments in affiliates	2,754	1,001	20,973	24,788	1,583	51,099	3,167	54,266
Increase in property, plant and equipment and intangible assets	8,549	5,193	9,111	5,385	3,034	31,272	382	31,654

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

Millions of yen

	2018	2017
Sales:		
Reportable segment total	**¥842,344**	¥827,726
Sales in “Others”	**512**	610
Elimination of intersegment transactions	**(37,358)**	(38,909)
Sales in consolidated financial statements	**¥805,498**	¥789,427

Millions of yen

	2018	2017
Profit:		
Reportable segment total	**¥54,141**	¥61,997
Profit in “Others”	**95**	58
Corporate expenses	**(5,851)**	(5,572)
Operating income in consolidated financial statements	**¥48,385**	¥56,483

Note: Corporate expenses consist substantially of R&D expenses incurred by the DIC Central Research Laboratories to develop new products, which are not included in any reportable segment.

Millions of yen

	2018	2017
Assets:		
Reportable segment total	**¥769,381**	¥785,229
Assets in “Others”	**36,108**	39,905
Elimination between segments	**(40,630)**	(39,793)
Corporate assets	**40,627**	46,415
Assets in consolidated financial statements	**¥805,486**	¥831,756

Note: Corporate assets consist of deferred tax assets and assets of the DIC Central Research Laboratories and Kawamura Memorial DIC Museum of Art, which are not included in any reportable segment.

Other items are as follows:

Millions of yen

	2018				2017			
	Reportable Segments	Others	Adjustments	Consolidated	Reportable Segments	Others	Adjustments	Consolidated
Depreciation and amortization	¥31,342	¥ 378	¥1,105	¥32,825	¥30,084	¥ 408	¥1,032	¥31,524
Amortization of goodwill	126	30	—	156	315	30	—	345
Investments in affiliates	50,972	3,579	—	54,551	51,099	3,167	—	54,266
Increase in property, plant and equipment and intangible assets	31,663	250	171	32,084	31,272	382	1,930	33,584

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

(2) Related information

Information about geographical areas

Millions of yen

	2018			
	Japan	USA	Others	Total
Net sales (Note)	¥292,857	¥97,682	¥414,959	¥805,498
Property, plant and equipment	127,257	28,898	71,996	228,151

Note: Net sales is based on customer location and is classified by country.

Millions of yen

	2017			
	Japan	USA	Others	Total
Net sales (Note)	¥288,608	¥101,129	¥399,690	¥789,427
Property, plant and equipment	125,369	26,817	79,491	231,677

Note: Net sales is based on customer location and is classified by country.

Information about major customers

Not applicable for the fiscal years ended December 31, 2018 and 2017, because there is no single customer which accounts for more than 10% of net sales shown in the consolidated statement of income.

(3) Impairment loss of assets by reportable segment

There was no impairment loss of assets for the fiscal year ended December 31, 2018.

Millions of yen

	2017							
	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Others	Corporate and eliminations	Consolidated
Impairment loss	¥200	¥—	¥34	¥—	¥—	¥—	¥—	¥234

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

Millions of yen

	2018							
	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Others	Corporate and eliminations	Consolidated
Amortization	¥22	¥ 1	¥103	¥—	¥—	¥30	¥—	¥156
Unamortized balances	34	—	—	—	—	—	—	34

Millions of yen

	2017							
	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Others	Corporate and eliminations	Consolidated
Amortization	¥54	¥124	¥137	¥—	¥—	¥30	¥—	¥345
Unamortized balances	65	1	103	—	—	30	—	199

Note 25:

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, 2018 and 2017, are as follows:

Millions of yen

Type of related party	Name	Location	Capital or investment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of transaction (Note 1)	Account	Balance at year-end (Note 2)
										2018
Companies where directors and their close relatives owned a majority of the voting rights (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	—	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	2,206	Security deposit	1,883
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	—	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 5)	525	Trade notes, accounts payable, and other accounts payable	217
							Sales of merchandise and finished goods, and offering of service (Note 6)	61	Trade notes and accounts receivable	31
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	—	Purchase of raw materials and others	Purchase of raw materials and others (Note 7)	6,038	Trade notes, accounts payable, and other accounts payable	1,665
							Sales of merchandise and finished goods, and offering of service (Note 6)	4,435	Trade accounts receivable and other accounts receivable	1,408

Notes: 1. Excluding consumption taxes.
2. Including consumption taxes.
3. Yoshihisa Kawamura, a director of the Company, and his close relatives substantially own a majority of the voting rights of Nissei Real-Estate Co., Ltd.
Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.
Nissei Real-Estate Co., Ltd., Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. transferred all the Company's shares to SHOEI INC. and do not own voting rights of the Company as of the balance sheet date.
4. "Rental of buildings and others" are determined based on an arms-length transaction in the neighboring area.
5. "Purchase of metallic containers and others" are determined based on an arms-length transaction.
6. "Sales of merchandise and finished goods, and offering of service" are determined based on an arms-length transaction.
7. "Purchase of raw materials and others" are determined based on an arms-length transaction.

Millions of yen

2017

Type 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 voting rights (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	Owned Direct 5.61% Indirect 7.81%	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	2,196	Security deposit	1,758
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Direct 4.50%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 5)	530	Trade notes, accounts payable, and other accounts payable	234
							Sales of merchandise and finished goods, and offering of service (Note 6)	55	Trade notes and accounts receivable	24
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Direct 3.31%	Purchase of raw materials and others	Purchase of raw materials and others (Note 7)	5,388	Trade notes, accounts payable, and other accounts payable	1,503
							Sales of merchandise and finished goods, and offering of service (Note 6)	4,079	Trade accounts receivable and other accounts receivable	1,618

Notes: 1. Excluding consumption taxes.

2. Including consumption taxes.

3. Yoshihisa Kawamura, a director of the Company, and his close relatives substantially own a majority of the voting rights of Nissei Real-Estate Co., Ltd.

Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.

4. "Rental of buildings and others" are determined based on an arms-length transaction in the neighboring area.

5. "Purchase of metallic containers and others" are determined based on an arms-length transaction.

6. "Sales of merchandise and finished goods, and offering of service" are determined based on an arms-length transaction.

7. "Purchase of raw materials and others" are determined based on an arms-length transaction.

(2) Related-party transactions with consolidated subsidiaries

Related-party transactions with directors, corporate auditors, major individual shareholders and others of the Company for the fiscal years ended December 31, 2018 and 2017, are as follows:

Millions of yen

2018

Type 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 voting rights (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	—	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	15	Security deposit	8
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	—	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 5)	754	Trade notes, accounts payable, and other accounts payable	339
							Sales of merchandise and finished goods, and offering of service (Note 6)	57	Trade notes and accounts receivable	24
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	—	Purchase of raw materials and others	Purchase of raw materials and others (Note 7)	1,485	Trade notes, accounts payable, and other accounts payable	267
							Sales of merchandise and finished goods, and offering of service (Note 6)	539	Trade accounts receivable and other accounts receivable	191

Notes: 1. Excluding consumption taxes.

2. Including consumption taxes.

3. Yoshihisa Kawamura, a director of the Company, and his close relatives substantially own a majority of the voting rights of Nissei Real-Estate Co., Ltd.
Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.
Nissei Real-Estate Co., Ltd., Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. transferred all the Company's shares to SHOEI INC. and do not own voting rights of the Company as of the balance sheet date.

4. "Rental of buildings and others" are determined based on an arms-length transaction in the neighboring area.

5. "Purchase of metallic containers and others" are determined based on an arms-length transaction.

6. "Sales of merchandise and finished goods, and offering of service" are determined based on an arms-length transaction.

7. "Purchase of raw materials and others" are determined based on an arms-length transaction.

Millions of yen

2017

Type 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 voting rights (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	Owned Indirect 13.42%	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	16	Security deposit	8
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Indirect 4.50%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 5)	620	Trade notes, accounts payable, and other accounts payable	264
							Sales of merchandise and finished goods, and offering of service (Note 6)	57	Trade notes and accounts receivable	25
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Indirect 3.31%	Purchase of raw materials and others	Purchase of raw materials and others (Note 7)	978	Trade notes, accounts payable, and other accounts payable	186
							Sales of merchandise and finished goods, and offering of service (Note 6)	478	Trade accounts receivable and other accounts receivable	147

Notes: 1. Excluding consumption taxes.

2. Including consumption taxes.

3. Yoshihisa Kawamura, a director of the Company, and his close relatives substantially own a majority of the voting rights of Nissei Real-Estate Co., Ltd.

Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.

4. "Rental of buildings and others" are determined based on an arms-length transaction in the neighboring area.

5. "Purchase of metallic containers and others" are determined based on an arms-length transaction.

6. "Sales of merchandise and finished goods, and offering of service" are determined based on an arms-length transaction.

7. "Purchase of raw materials and others" are determined based on an arms-length transaction.

1. Basic framework for internal control over financial reporting

Kaoru Ino, Representative Director, President and CEO, and Masayuki Saito, Representative Director, Executive Vice President 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 assessment of internal control over financial reporting for fiscal year 2018 was conducted as of December 31, 2018, which is the end of this fiscal year. The assessment was performed 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, 2018, the Company's internal control over financial reporting was effectively maintained.

Kaoru Ino
Representative Director, President and CEO
DIC Corporation

Deloitte.

Deloitte Touche Tohmatsu LLC
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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 subsidiaries as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year 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 subsidiaries as of December 31, 2018, and the consolidated results of their operations and their cash flows for the year 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, 2018.

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, 2018 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 27, 2019

43 Investor Information and Corporate Data

(As of December 31, 2018)

Investor Information

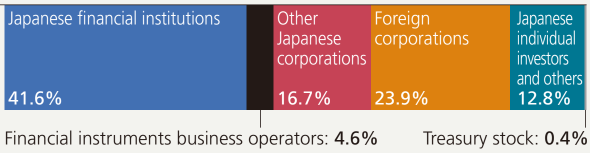
Common Stock

DIC common stock is listed and traded on the Tokyo Stock Exchange. There were 37,322 shareholders of record on December 31, 2018. On the Tokyo Stock Exchange, the high and low prices for each quarter of the years 2018 and 2017 were as follows:

	2018		2017	
	High	Low	High	Low
Jan.–Mar.	**¥4,525**	**¥3,360**	¥4,365	¥3,300
Apr.–Jun.	**4,020**	**3,380**	4,195	3,650
Jul.–Sept.	**4,135**	**3,340**	4,415	3,710
Oct.–Dec.	**4,125**	**3,150**	4,375	3,820

Total Number of Shares Authorized	150,000,000 shares
Number of Unit Shares	100 shares
Paid-in Capital	¥96,556,692,787 (95,156,904 shares)
Independent Public Accountants	Deloitte Touche Tohmatsu LLC

Distribution of Shareholders



Major Shareholders

	Number of Shares Owned (Thousands)	Percentage of Total
SHOEI INC.	12,694	13.39%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,041	6.37
Japan Trustee Services Bank, Ltd. (Trust Account)	5,950	6.28
The Dai-ichi Life Insurance Company, Limited	3,500	3.69
Japan Trustee Services Bank, Ltd. (Trust Account 4)	3,226	3.40
JP MORGAN CHASE BANK 385632	3,191	3.37
SMBC Nikko Securities Inc.	2,368	2.50
Aioi Nissay Dowa Insurance Co., Ltd.	2,020	2.13
NIPPON LIFE INSURANCE COMPANY	1,900	2.00
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,737	1.83
	42,627	44.96%

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.
For Further Information, Contact:	Corporate Communications Dept. DIC Corporation DIC Building, 7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8233, Japan Tel.: (03) 6733-3033 E-mail: prir@ma.dic.co.jp

Corporate Data

Registered Address

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

Corporate Headquarters

DIC Building, 7-20,
Nihonbashi 3-chome, Chuo-ku,
Tokyo 103-8233, Japan
Tel.: (03) 6733-3000
http://www.dic-global.com/

Principal Domestic Offices, Plants and Laboratories (Nonconsolidated)

Number of Branch Offices: 2
Number of Plants: 9
Number of Laboratories: 1

Number of Employees

20,620

Date of Foundation

February 15, 1908

Date of Incorporation

March 15, 1937

Color & Comfort

DIC Corporation

DIC Building, 7-20, Nihonbashi 3-chome,
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