



Color & Comfort

Notice of Convocation

of the 122nd Annual General Meeting of Shareholders

Color & Comfort

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

Please note that this is an unofficial English translation of the Japanese Notice of Convocation of the 122nd Annual General Meeting of Shareholders, and is provided for your reference and convenience only, without any warranty as to its accuracy or otherwise. The original Japanese version of the Notice of Convocation is the sole official version.

(Securities Identification Code: 4631)

DIC Corporation

English Version



Color & Comfort

Making it Colorful

Innovation through Compounding
Specialty Solutions

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To Our Shareholders

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

Today's global society demands that we address key imperatives arising from growing environment, safety and health (ESH)-related issues, including marine plastics and food safety, and from social changes such as the spread of digitization. We have formulated a new medium-term management plan, DIC111, to clarify strategies for transforming our business portfolio, that is, for building a sophisticated portfolio focused on ESH-related issues and social changes by advancing qualitative reforms in existing core businesses and creating new businesses with the potential to become mainstays. As part of these efforts, in August 2019 we announced that we had entered into an agreement to acquire BASF Colors & Effects, the global pigments business of BASF.

In fiscal year 2019, we reported a decline in consolidated operating income, to 41.3 billion yen. This was attributable to the impact of slowing global economic growth, as a result of which shipments sank in a wide range of businesses, centering on materials used in electrical and electronics equipment and in automobiles.

We are proposing to pay a year-end dividend for fiscal year 2019 of 40 yen per share. The principal factor behind this is a substantial decrease in consolidated net income attributable to owners of the parent, which reflected efforts to improve business efficiency, as well as to one-time disaster- and acquisition-related expenses. As a result, the annual dividend will be 100 yen per share, a decrease of 25 yen per share from fiscal year 2018.

We remain committed to improving our operating results and enhancing returns to shareholders. In the years ahead, we will continue to be sustained by the unwavering support of our shareholders. We look forward to your continued guidance.

Kaoru Ino
Representative Director



Notice of Convocation

Securities Identification Code: 4631
March 6, 2020

To Our Shareholders,

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

DIC Corporation

Kaoru Ino, Representative Director

Notice of Convocation of the 122nd Annual General Meeting of Shareholders

The 122nd Annual General Meeting of Shareholders of DIC Corporation (the "Company") will be held as described below and you are cordially invited to attend.

If you cannot attend the General Meeting in person, you may exercise your voting rights by mail or via the Internet or other electromagnetic means. Upon review of the Reference Documents for the General Meeting of Shareholders (pages 7–19), please exercise your voting rights in accordance with the Guidance Notes on the Exercise of Voting Rights (pages 5 and 6) by 5:15 p.m., Wednesday, March 25, 2020 (Japan time).

Date and Time

10:00 a.m., Thursday, March 26, 2020 (Japan time)

Place

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

Agenda of the General Meeting

Matters to be Reported:

1. Business Report, Consolidated Financial Statements and Audit Reports of the Independent Auditor and the Audit & Supervisory Board for the Consolidated Financial Statements for the 122nd Fiscal Year (January 1, 2019–December 31, 2019)
2. Non-Consolidated Financial Statements for the 122nd Fiscal Year (January 1, 2019–December 31, 2019)

Matters to be Resolved:

- Proposal 1.** Appropriation of Surplus
Proposal 2. Election of 8 Directors
Proposal 3. Election of 1 Audit & Supervisory Board Member

Matters Decided upon Convocation of the General Meeting

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

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

Materials Disclosed via the Internet

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

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

IR Information

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


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

Amid concern over the spread of the novel coronavirus COVID-19, advisories regarding the convening of the 122nd Annual General Meeting of Shareholders will be posted on the Company's website.



Guidance Notes on the Exercise of Voting Rights

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




Attend the General Meeting of Shareholders

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

Date and time of the General Meeting of Shareholders

Thursday, March 26, 2020
10:00 a.m. (Japan time)




Exercise Your Voting Rights in Writing (By Mail)

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

Deadline for arrival

Wednesday, March 25, 2020
No later than 5:15 p.m. (Japan time)



Exercise Your Voting Rights via the Internet

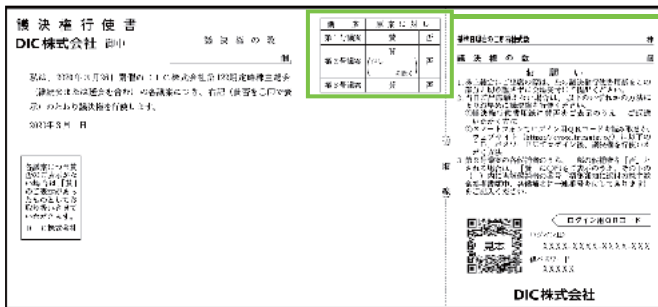
Please indicate your approval or disapproval of the proposals in accordance with the instructions on page 6 by the deadline indicated.

Deadline for voting via the internet

Wednesday, March 25, 2020
No later than 5:15 p.m. (Japan time)

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

Instructions for Completing the Exercise of Voting Rights Form



Indicate your approval or disapproval of the proposals here.

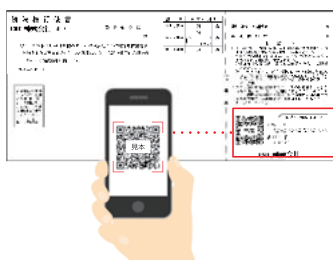
- Proposals 1 and 3
 - Approval >> Circle [賛]
 - Disapproval >> Circle [否]
- Proposal 2
 - Approval of all candidates >> Circle [賛]
 - Disapproval of all candidates >> Circle [否]
 - Approval of certain candidates only >> Circle [賛] and enter the number(s) of the candidate(s) whose election you oppose.

Instructions for Exercising Your Voting Rights via the Internet

Voting via Smartphone Using the QR Code

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

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



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



You can exercise your voting rights using the QR Code **ONLY ONCE**.

If you wish to change your vote, or to vote using the login ID and temporary password, please follow the instructions in "Voting Using the Login ID and Temporary Password" to the right.

Caution

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

Inquiries regarding the exercise of voting rights via the Internet

Stock Transfer Agency Department (Help Desk)
Mitsubishi UFJ Trust and Banking Corporation

Telephone: **0120-173-027** (Toll-free within Japan)

Operating hours: 9:00 a.m.–9:00 p.m. (Japan time)

Voting Using the Login ID and Temporary Password

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

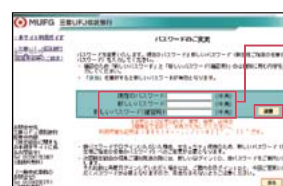
- 1 Access the voting website.
- 2 Enter the login ID and temporary password provided on the right side of the enclosed Exercise of Voting Rights Form.



Enter login ID and temporary password

Click "Login"

- 3 Register new password.



Enter new password

Click "Submit"

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

Note: Website voting form shown is a mockup.

Reference Documents for the General Meeting of Shareholders

Proposal 1

Appropriation of Surplus

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

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

The Company proposes the year-end dividends as follows:

1 Type of Dividend

Cash

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

40 yen per share of common stock

Total amount of dividend: 3,791,659,280 yen

The Company previously paid out 60 yen per share as an interim dividend. Accordingly, the aggregate amount of the annual dividends for the fiscal year 2019 will be 100 yen per share.

3 Effective Date of Dividend









March 27, 2020

Proposal 2

Election of 8 Directors

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

The candidates for Directors are as follows:

Candidate No.	Candidate Name	Current Positions and Responsibilities at the Company	Attendance at Board of Directors' Meetings
1	 Re-Nominated Yoshiyuki Nakanishi	Chairman of the Board of Directors	18/18 (100%)
2	 Re-Nominated Kaoru Ino	Representative Director President and CEO	18/18 (100%)
3	 Re-Nominated Masayuki Saito	Representative Director Executive Vice President Assistant to President and CEO	18/18 (100%)
4	 Re-Nominated Yoshihisa Kawamura	Director	18/18 (100%)
5	 Re-Nominated Toshifumi Tamaki	Director Managing Executive Officer Head of Corporate Strategy Unit In Charge of Kawamura Memorial DIC Museum of Art	18/18 (100%)
6	 Re-Nominated Kazuo Tsukahara	Outside Independent Director	18/18 (100%)
7	 Re-Nominated Yoshiaki Tamura	Outside Independent Director	18/18 (100%)
8	 Re-Nominated Kuniko Shoji	Outside Independent Director	14/14 (100%)

Re-Nominated Re-Nominated Director Candidate

Outside Outside Director Candidate Independent Independent Director Candidate

Notes:

- Figures for attendance at Board of Directors' meetings for Kuniko Shoji reflect the number of meetings held subsequent to the individual's assumption of office on March 27, 2019 until December 31, 2019.
- In addition to the number of Board of Directors' meetings held as shown above, one resolution was adopted that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and Article 23 of the Company's Articles of Incorporation.

Candidate No.

1

Yoshiyuki Nakanishi

 [DOB: November 3, 1954]

Number of the Company's
Shares Held
16,402

Attendance at Board of
Directors' Meetings
18/18

▶ Brief Personal History, Positions and Responsibilities

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

▶ Reasons for Being a Candidate for Director

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

Notes:

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

Candidate No.

2**Kaoru Ino**

[DOB: September 15, 1957]



Number of the Company's
Shares Held
6,927

Attendance at Board of
Directors' Meetings
18/18

▶ Brief Personal History, Positions and Responsibilities

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

▶ Reasons for Being a Candidate for Director

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

Notes:

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

Candidate No.

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

Number of the Company's
Shares Held
15,374

Attendance at Board of
Directors' Meetings
18/18

▶ Brief Personal History, Positions and Responsibilities

April 1977	Joined the Company
April 2007	General Manager, Finance Dept.
April 2008	Executive Officer; In Charge of Finance & Accounting Div.
June 2010	Director; Executive Officer; In Charge of Finance & Accounting Div.
April 2011	Director; Managing Executive Officer; In Charge of Finance & Accounting Div.
April 2012	Representative Director; Senior Managing Executive Officer; Assistant to President and CEO; In Charge of Finance & Accounting Div.
January 2016	Representative Director; Executive Vice President; Assistant to President and CEO; CFO
January 2020– Present	Representative Director; Executive Vice President; Assistant to President and CEO

▶ Principal Concurrent Position Held at Other Organization

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

▶ Reasons for Being a Candidate for Director

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

Notes:

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

Candidate No.

5 Toshifumi Tamaki [DOB: January 30, 1956]

Number of the Company's
Shares Held
5,651

Attendance at Board of
Directors' Meetings
18/18

▶ Brief Personal History, Positions and Responsibilities

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

▶ Reasons for Being a Candidate for Director

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

Notes:

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

Candidate No.

6

Kazuo Tsukahara

[DOB: April 17, 1950]

Outside Director

Independent Director

Number of the Company's
Shares Held

0

Attendance at Board of
Directors' Meetings

18/18

▶ Brief Personal History, Positions and Responsibilities

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

▶ Reasons for Being a Candidate for Outside Director

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

Notes:

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

Candidate No.

8

Kuniko Shoji

[DOB: January 8, 1954]

Outside Director

Independent Director

Number of the Company's
Shares Held

0

Attendance at Board of
Directors' Meetings

14/14

▶ Brief Personal History, Positions and Responsibilities

April 1977	Joined Mochida Pharmaceutical Co., Ltd.
July 1986	Joined Johnson & Johnson Medical K.K.(Currently, Johnson & Johnson K.K.)
September 2002	Joined Terumo Corporation
June 2004	Executive Officer, Terumo Corporation
June 2010	Director and Senior Executive Officer, Terumo Corporation
April 2017	Director and Advisor, Terumo Corporation
June 2017	Advisor, Terumo Corporation
March 2019-	Outside Director, the Company
Present	

▶ Principal Concurrent Positions Held at Other Organizations

Outside Director, Nichirei Corporation
 Outside Director, Medipal Holdings Corporation

▶ Reasons for Being a Candidate for Outside Director

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

Notes:

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

Proposal 3

Election of 1 Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Yoshiyuki Mase will expire at the conclusion of the General Meeting. Accordingly, the Company proposes the election of one Audit & Supervisory Board Member.

This proposal has received the consent of the Audit & Supervisory Board.




The candidate for Audit & Supervisory Board Member is as follows:

Candidate Name	Current Positions at the Company	Attendance at Board of Directors' Meetings	Attendance at Audit & Supervisory Board Meetings
 Newly Nominated Akihiro Ikushima		—	—

Newly Nominated Newly Nominated Audit & Supervisory Board Member Candidate

(Reference)

Audit & Supervisory Board Members who will remain as Members after the conclusion of the General Meeting are as follows:

Name	Current Positions at the Company
 Hiroyuki Ninomiya	Fulltime Audit & Supervisory Board Member
 Katsunori Takechi	Outside Independent Audit & Supervisory Board Member
 Michiko Chiba	Outside Independent Audit & Supervisory Board Member

Outside Outside Member

Independent Independent Member

Candidate

Akihiro Ikushima

 [DOB: September 8, 1960]

Newly Nominated



Number of the Company's
Shares Held
4,700

▶ Brief Personal History and Positions

April 1983	Joined the Company
April 2012	General Manager, General Affairs and HR Dept.
January 2016	Representative Director and President, DIC KOREA CORPORATION
January 2019	General Manager, Internal Control Dept.
January 2020- Present	Manager, Internal Control Dept.

▶ Reasons for Being a Candidate for Audit & Supervisory Board Member

After joining the Company, Akihiro Ikushima worked in the general affairs and human resources departments, after which he served as General Manager of the General Affairs and HR Dept., President of a Group company in the Republic of Korea and General Manager of the Internal Control Dept. He thus has extensive experience and knowledge regarding corporate governance and internal control and is seen as eligible for the position of Audit & Supervisory Board Member. Accordingly, he is a candidate for Audit & Supervisory Board Member.

Notes:

1. Akihiro Ikushima is a newly nominated candidate for Audit & Supervisory Board Member.
2. There are no special interests between Akihiro Ikushima and the Company.

Reference

1 Policy for Nominating Director and Audit & Supervisory Board Member Candidates

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

2 Independence Standards for Independent Outside Officers

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

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

(Attachments)

Business Report

(January 1, 2019 - December 31, 2019)

1 Current Conditions of the DIC Group

1 Business Progress and Achievements

In fiscal year 2019, consolidated net sales slipped 4.6%, to 768.6 billion yen. On a local currency basis, however, the decrease was only 1.3%. Owing to the impact of slowing global economic growth, shipments sank in a wide range of businesses, centering on materials used in electrical and electronics equipment and in automobiles.

Operating income was down 14.6%, to 41.3 billion yen, or 8.7% on a local currency basis. In addition to falling shipments, particularly of high-value-added products, these results reflected flagging sales prices for some products. A decline in results overseas after translation, a consequence of yen appreciation, also pushed operating income down. Thanks to the impact of raw materials price decreases and of cost reductions achieved through rationalization, the decline narrowed after bottoming out in the first quarter. Of particular note, operating income in the People's Republic of China (PRC) and Southeast Asia turned positive in the second quarter.

Ordinary income was down 15.2%, to 41.3 billion yen.

Net income attributable to owners of the parent fell 26.6%, to 23.5 billion yen. This reflected an extraordinary loss arising from efforts to improve business efficiency, as well as one-time disaster- and acquisition-related expenses.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined 17.2%, to 67.4 billion yen. Factors behind this included the drop in net income attributable to owners of the parent.

(Billions of yen)

	Fiscal Year 2018	Fiscal Year 2019	Change (%)	Change (%) [Local Currency Basis]
Net Sales	805.5	768.6	-4.6%	-1.3%
Operating Income	48.4	41.3	-14.6%	-8.7%
Ordinary Income	48.7	41.3	-15.2%	—
Net Income Attributable to Owners of the Parent	32.0	23.5	-26.6%	—
EBITDA*	81.4	67.4	-17.2%	—
¥/US\$1.00(Average Rate)	110.46	109.11	-1.2%	—
¥/EUR1.00(Average Rate)	130.46	122.13	-6.4%	—

* EBITDA = Net income attributable to owners of the parent + Total income taxes + (Interest expenses – Interest income) + Depreciation and amortization

Results of operations by segment are as follows:

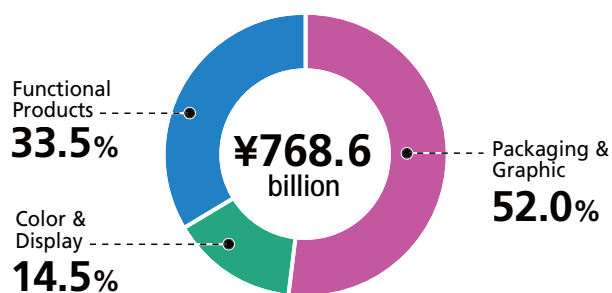
(Billions of yen)

Segment	Net Sales				Operating Income			
	Fiscal Year 2018	Fiscal Year 2019	Change (%)	Change (%) [Local Currency Basis]	Fiscal Year 2018	Fiscal Year 2019	Change (%)	Change (%) [Local Currency Basis]
Packaging & Graphic	434.7	416.4	-4.2%	0.6%	19.9	19.2	-3.6%	8.0%
Color & Display	124.1	116.4	-6.2%	-3.8%	15.0	10.8	-28.0%	-25.4%
Functional Products	282.1	268.6	-4.8%	-3.6%	20.8	19.2	-7.6%	-6.6%
Others, Corporate and Eliminations	(35.4)	(32.8)	—	—	(7.3)	(7.9)	—	—
Total	805.5	768.6	-4.6%	-1.3%	48.4	41.3	-14.6%	-8.7%

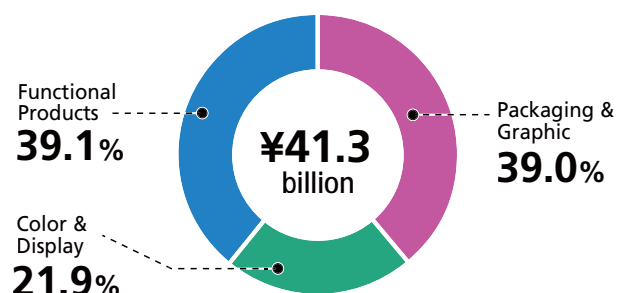
Note: Effective from January 1, 2019, DIC revised its segmentation to coincide with the launch of its new medium-term management plan, DIC111. Accordingly, figures for fiscal year 2018 have been restated.

Segment results in key markets are detailed on pages 22-24. Year-on-year percentage changes in squared parentheses represent increases or decreases on a local currency basis.

Breakdown of Fiscal Year 2019 Net Sales by Segment



Breakdown of Fiscal Year 2019 Operating Income by Segment



Note: Percentages are calculated by adding back others, corporate and eliminations.

Packaging & Graphic



Packaging Materials that Bring Safety and Peace of Mind

Principal Products

[Printing Materials]

Gravure Inks, Flexo Inks, Offset Inks, News Inks, Jet Inks, Can Coatings, Security Inks, Printing Plates, Printing Supplies

[Packaging Materials]

Polystyrene, Multilayer Films, Packaging Adhesives

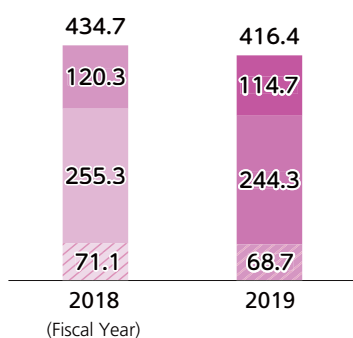
Net Sales

¥416.4 billion
Change -4.2% [+0.6%]

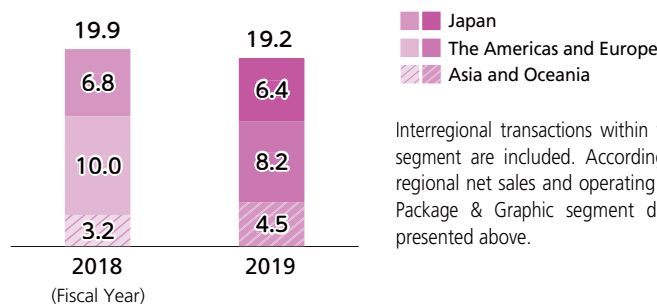
Operating
Income

¥19.2 billion
Change -3.6% [+8.0%]

● Net Sales (Billions of yen)



● Operating Income (Billions of yen)



■ Japan
■ The Americas and Europe
▨ Asia and Oceania

Interregional transactions within the Package & Graphic segment are included. Accordingly, the aggregates of regional net sales and operating income figures for the Package & Graphic segment differ from the figures presented above.

Segment sales slipped 4.2%, to 416.4 billion yen. Although sales edged up 0.6% on a local currency basis, the depreciation of the euro and emerging economy currencies led to a decrease after translation into yen. In the area of materials for food packaging, sales of packaging inks rose, particularly in emerging economies in Asia and South America. In contrast, sales of polystyrene languished, despite an increase in shipments, as raw materials price decreases prompted the reduction of sales prices. Sales of publication inks, which center on publishing inks and news inks, were down, owing to an ebb in overall demand. Sales of jet inks for digital printing rose.

Segment operating income slipped 3.6%, to 19.2 billion yen. On a local currency basis, operating income rose 8.0%, benefiting from the positive impact of an improved product mix and rationalization efforts, as well as from a decrease in raw materials prices, particularly in the PRC and Southeast Asia. As with segment sales, however, this translated into a decline on a yen basis.

Focus: Development of New Technologies

Development of Printing Inks, Adhesives and Films with a Reduced Environmental Impact

DIC earned certification for a new packaging ink under Japan's Biomass Mark program. The Company also developed a new fast-curing solvent-free packaging adhesive that reduces volatile organic compounds (VOCs) and carbon dioxide (CO₂) emissions and cuts aging times by half as well as a lamination system that employs this adhesive. In overseas markets, the DIC Group continues to see expanding sales of new products with significantly lower CO₂ emissions than conventional products.

The DIC Group also continues to bolster its results in the area of packaging films. Efforts to promote thinner films have led to the development of packaging films for bread that reduce environmental impact while maintaining strength and suitability and easy-peel sealant film lid materials for containers used for salads sold at convenience stores that extend products' shelf life, thereby reducing food loss.



Salad container featuring easy-peel sealant film lid

Color & Display



Color and Display Materials that Make Life Colorful

Principal Products

[Color Materials]

Effect Pigments, Pigments for Color Filters, Pigments for Cosmetics, Pigments for Printing Inks, Pigments for Coatings and Plastics, Health Foods

[Display Materials]

TFT Liquid Crystals, STN Liquid Crystals

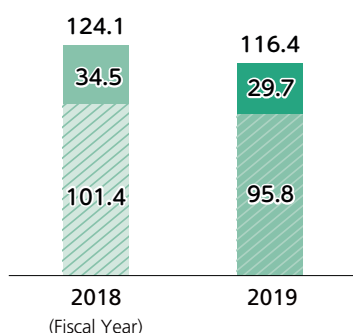
Net Sales

¥116.4 billion
Change -6.2% [-3.8%]

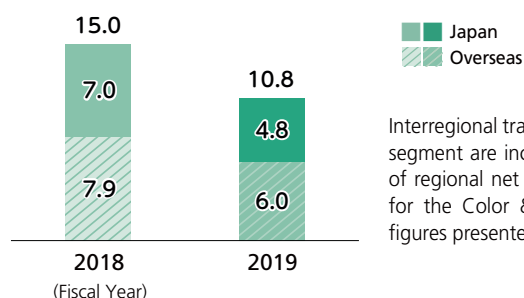
Operating
Income

¥10.8 billion
Change -28.0% [-25.4%]

● Net Sales (Billions of yen)



● Operating Income (Billions of yen)



Interregional transactions within the Color & Display segment are included. Accordingly, the aggregates of regional net sales and operating income figures for the Color & Display segment differ from the figures presented above.

Segment sales, at 116.4 billion yen, were down 6.2%. In the area of color materials, shipments of pigments for cosmetics and general-purpose pigments flagged, hampered by trade friction. In display materials, shipments of pigments for color filters were firm, although sales of thin-film transistor liquid crystals (TFT LCs) sank, hindered by sagging sales prices, a consequence of intensifying competition.

Segment operating income plunged 28.0%, to 10.8 billion yen. Contributing factors included sales price reductions for TFT LCs and waning shipments of general-purpose pigments. Operating income was also constrained by the tightening of environmental regulations in the PRC, as well as by increases in prices for pigments raw materials attributable to trade friction.

Focus: Development of New Technologies

Approval of Natural Blue Colorant Received under the Global Standard for Organic and Natural Cosmetics

A key emphasis for DIC is the development of new pigments for color filters for displays. In addition, the Company's Spirulina-derived natural blue colorant recently received approval under the COSMOS-standard (COSMetic Organic and Natural Standard), a unified European standard for organic and natural cosmetics. Overseas, the DIC Group introduced a number of innovative products, including pigments for turf colorants and balloon printing and natural wax dispersions for cosmetics.

In the area of LC materials, the DIC Group is shipping samples of polymer sustained alignment (PSA) LCs, which boast outstanding transparency, response time and sensitivity, for 8K displays. In next-generation display materials, the Group is focusing on the development of inks for use in the production of inkjet-printed quantum dot color filters (QDCFs).



Cosmetic product employing a natural blue colorant

Functional Products



Functional Products that Add Comfort

Principal Products

[Performance Materials]

Synthetic Resins for Inks and Coatings, Molded Products, Adhesives and Textiles (Polyester Resins, Epoxy Resins, Polyurethane, Acrylic Resins, Phenolic Resins, Plasticizers), Papermaking Chemicals, Metal Carboxylates, Alkylphenols, Sulphur Chemicals

[Composite Materials]

PPS Compounds, Plastic Colorants, Interior Housing Products, Plastic Pallets, Containers, Industrial Adhesive Tapes, Hollow-Fiber Membranes and Modules, Fiber and Textile Colorants, High-Performance Optical Materials, Sheet Molding Compounds, Decorative Boards

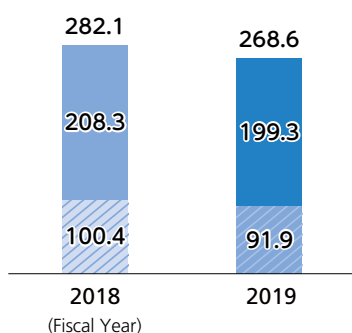
Net Sales

¥268.6 billion
Change -4.8% [-3.6%]

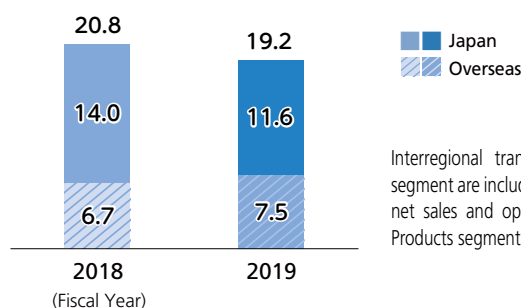
Operating
Income

¥19.2 billion
Change -7.6% [-6.6%]

● Net Sales (Billions of yen)



● Operating Income (Billions of yen)



Interregional transactions within the Functional Products segment are included. Accordingly, the aggregates of regional net sales and operating income figures for the Functional Products segment differ from the figures presented above.

Segment sales decreased 4.8%, to 268.6 billion yen. While applications for polyphenylene sulfide (PPS) compounds continue to expand thanks to the trend toward lighter and increasingly electrified vehicles, shipments remained low, reflecting a downtrend in automobile production worldwide. Flagging economic conditions pushed down sales of epoxy resins and industrial tapes, the principal applications for which are smartphones and semiconductors. Sales of synthetic resins remained sluggish overall, despite bottoming out in the first quarter.

Segment operating income was down 7.6%, to 19.2 billion yen. Despite this decrease, which stemmed from dwindling shipments overall, the operating margin improved gradually, as shipments of epoxy resins and other high-value-added products picked up after bottoming out in the first quarter and raw materials prices decreased.

Focus: Development of New Technologies

Development of a 100% Biomass-Derived Polyester Plasticizer

The DIC Group used artificial intelligence (AI) to develop innovative synthetic resins for electrical and electronics materials, and realized commercial production only one year after development began. The Group is also promoting the development of epoxy resin-curing agents with superior dielectric properties for use as smartphone base stations, thin adhesive tapes with superior adhesiveness and bondability for smartphones, thick adhesive tapes that can be stretched and removed for televisions, and various types of colorants for engineering plastics for use in automobiles that combine the surface smoothness and high lacquer finish of carbon black ultrahigh dispersion technologies. Efforts to develop sustainable products yielded a new polyester plasticizer derived entirely from biomass resources that became the first plasticizer to be granted Japan's "Biomass 100%" Biomass Mark.



Plastic bag made with a 100% biomass plasticizer

2 Operating Results and Financial Position

Consolidated operating results and financial position are as follows:

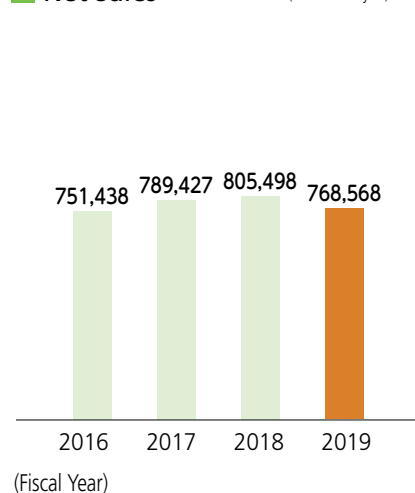
Category	Fiscal Year 2016 (January 1, 2016– December 31, 2016)	Fiscal Year 2017 (January 1, 2017– December 31, 2017)	Fiscal Year 2018 (January 1, 2018– December 31, 2018)	Fiscal Year 2019 (January 1, 2019– December 31, 2019)
Net Sales (Millions of yen)	751,438	789,427	805,498	768,568
Operating Income (Millions of yen)	54,182	56,483	48,385	41,332
Operating Margin (%)	7.2	7.2	6.0	5.4
Ordinary Income (Millions of yen)	55,797	56,960	48,702	41,302
Net Income Attributable to Owners of the Parent (Millions of yen)	34,767	38,603	32,028	23,500
Earnings per Share (Yen)	366.72	407.56	338.40	248.29
Net Assets (Millions of yen)	307,017	343,951	327,334	343,497
Total Assets (Millions of yen)	764,828	831,756	801,296	803,083

Notes:

1. 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 are calculated based on the assumption that the consolidation had been implemented at the beginning of the fiscal year 2016.
2. From the fiscal year 2017, the Company introduced the Board Benefit Trust (BBT). The shares held by the trust are recorded under net assets as treasury shares. The number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year used for the calculation of earnings per share includes the number of shares held by the trust.
3. The Company has been applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018), etc. from the beginning of the Fiscal Year 2019. Total assets as of December 31, 2018 are based on retroactive application.

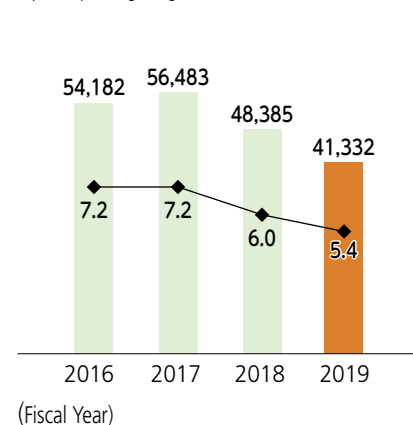
Net Sales

(Millions of yen)



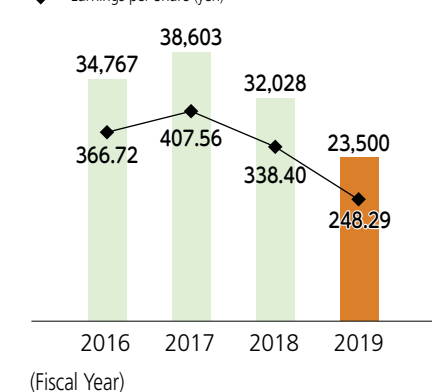
Operating Income/Operating Margin

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



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

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



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

3 Financing Activities

1) Methods of Financing

During the fiscal year 2019, the DIC Group raised necessary funds through borrowing from financial institutions and issuing corporate bonds and commercial papers.

As a consequence, as of December 31, 2019, the total interest-bearing debt amounted to 252.6 billion yen (including leases), a decrease of 11.9 billion yen from the previous fiscal year-end.

2) Principal Borrowings (as of December 31, 2019)

Lender	Balance of Borrowings (Millions of yen)
MUFG Bank, Ltd.	50,107
Mizuho Bank, Ltd.	38,330
THE SHIGA BANK, LTD.	8,448

3) Investment in Facilities

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

In the fiscal year 2019, the DIC Group invested 35.0 billion yen in facilities. Principal investments to build new or expand existing facilities, by segment, were as follows:

Packaging & Graphic	Indonesia	Construction of a hazardous materials site
	Brazil	Expansion of production facilities for printing inks
Color & Display	Japan	Construction of raw materials recycling facilities
	USA	Expansion of production facilities for natural blue food coloring
Functional Products	Japan	Expansion of production facilities for hollow-fiber membrane modules
	Thailand	Expansion of production facilities for synthetic resins
Others and Corporate	Japan	Introduction of facilities for solar power generation



Facilities for solar power generation (Japan)



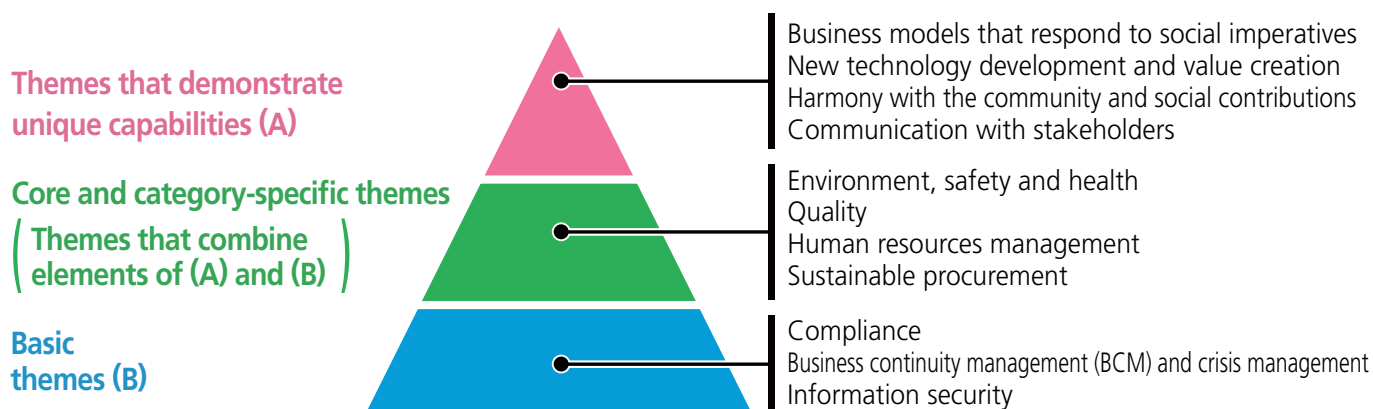
Production facilities for synthetic resins (Thailand)

4 Sustainability Initiatives

Amid an ever-more diverse array of challenges, including climate change and other rising environmental concerns, and increasingly urgent social imperatives, that companies today face, awareness of the need to achieve sustainability in a manner that takes into account the environment, ecosystems and socioeconomic issues is growing rapidly. With this awareness in mind, the DIC Group launched its corporate social responsibility (CSR) program in fiscal year 2007 and, effective from fiscal year 2014, changed the designation used across its program from “CSR” to “sustainability.” In fiscal year 2018, DIC established the ESG Unit, a specialized department to further expand Group ESG initiatives worldwide. In line with its basic sustainability policy, the DIC Group promotes a variety of sustainability initiatives worldwide and works to maintain an accurate grasp of social imperatives pertaining to ESG-related issues.

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

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



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

Special Topic

1

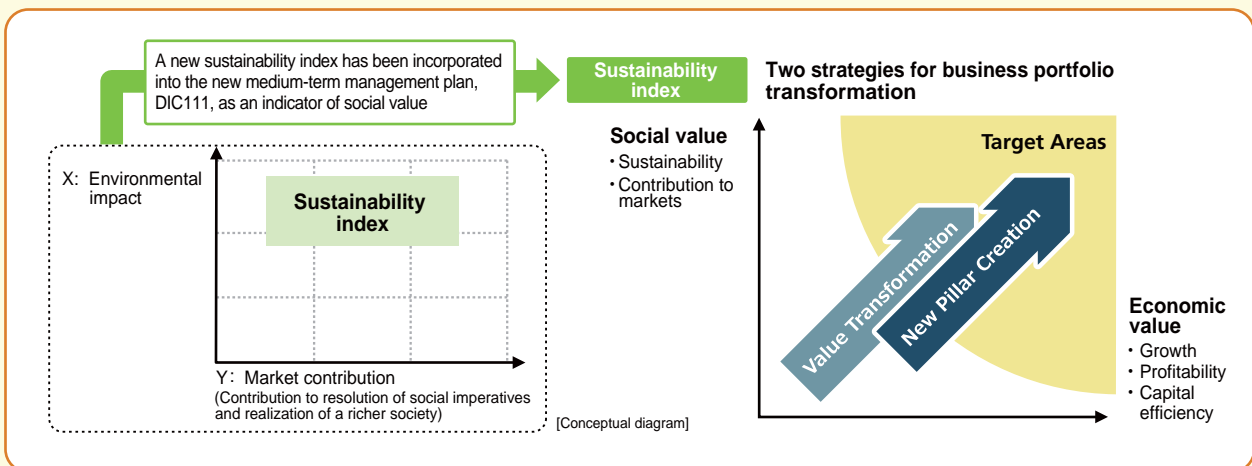
To Facilitate Sustainable Businesses

The DIC Group has long been promoting the development of environment-friendly products that include those generating less wastes or using less energies during manufacturing processes, increasing the use of recycled raw materials and easy-to-recycle products. Under recent worldwide spread of large-scale natural disasters and diversification of social imperatives including increasing needs in health and safety protections, we take not only considering environmental influences in the conventional framework but pursuing the realization of much more sustainable society as our urgent and important mission. In order to embody and facilitate this mission, the DIC Group is focusing on the development of sustainable product, which is the evolutionary form of environment-friendly product.

Development of a Sustainability Index

Since 2019, the year of starting the medium-term management plan, DIC111, the DIC Group has been proceeding the formulation of a sustainability index, which indicates a yardstick for measuring the social value which the product families of the DIC Group's businesses are carrying out. In the vertical axis of this index, indicating environmental loads, the LCA calculation which encompasses the upstream of the value chain, and energy consumption during product manufacturing are included. In the horizontal axis, indicating sustainable contributions to customers and markets, we evaluate the value proposition of our products exhibited in the downstream of the value chain. From further processing by customers and use by consumers to the end-of-life/recycling of the final products, the contributions to the social issues, such as climate change and ocean plastic, are included.

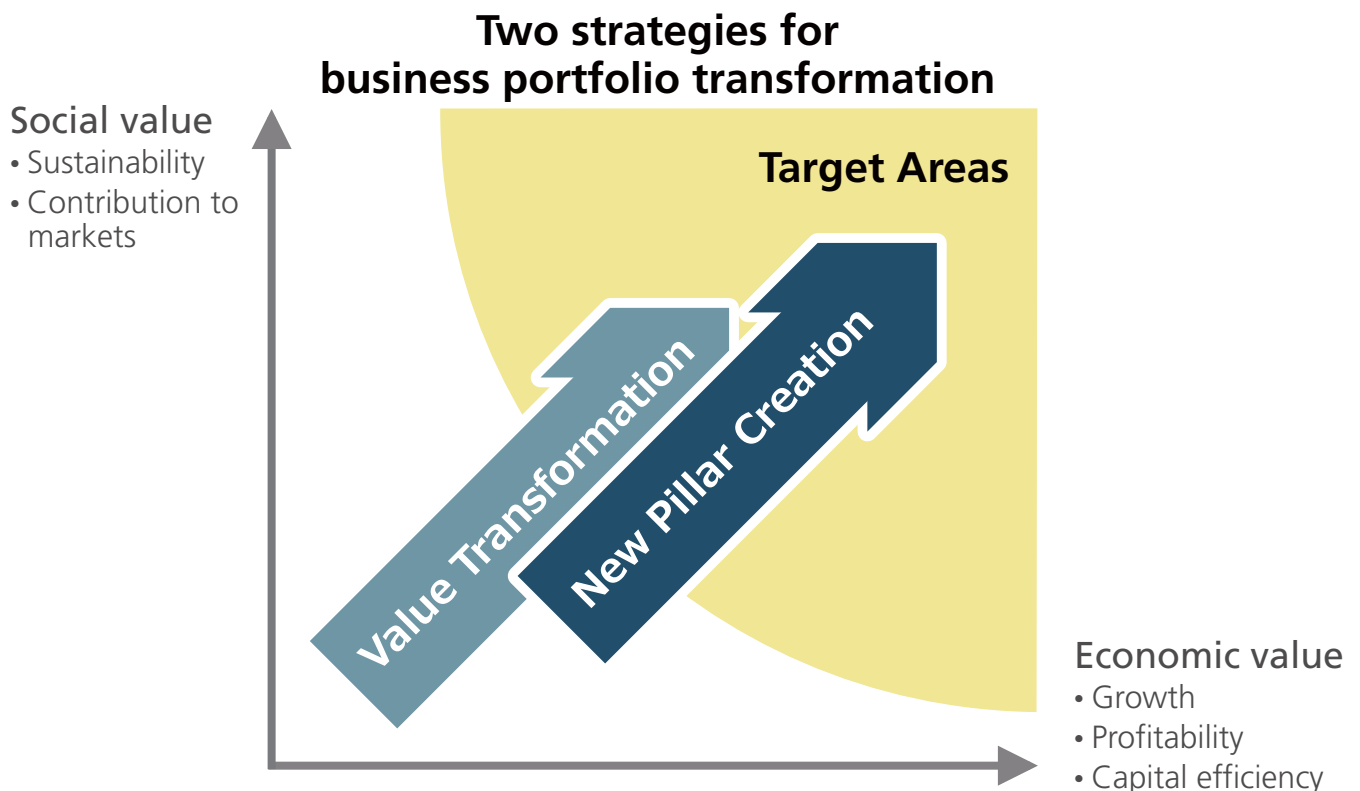
We believe that we can clarify the future direction of our sustainable businesses and product development management by incorporating both the two philosophies, which consist of the social value indicated by this sustainability index and the economic value as financial aspects. This sustainability index will be introduced and established into all of the DIC Group companies in the world.



5 Challenges to be Addressed

In 2019, the DIC Group formulated a medium-term management plan, DIC111, to be carried out during the period from 2019 to 2021. In DIC111, the DIC Group defined its target business areas as those which combine (a) economic value represented by growth, profitability and capital efficiency and (b) social value based on social imperatives. To reach these target business areas, the DIC Group will implement the following basic strategies and supporting initiatives:

- 1 Business portfolio transformation to achieve growth
 - Value Transformation
Proceed with qualitative change by identifying business areas to focus on by segment.
 - New Pillar Creation
Accelerate creation of next-generation businesses by identifying the business areas at the intersection of (a) social issues and social change and (b) the DIC Group's competence as priority areas.
- 2 Strengthening management foundation to support global, ESG and safety management
- 3 Cash flow management to pursue an optimal balance between financial health and shareholder's return, while implementing strategic investments. For large acquisitions, successfully implementing post-merger integration (PMI) and pursuing synergistic opportunities.



(The following information is as of December 31, 2019, unless otherwise noted.)

Special Topic

2

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

Guided by its current three-year management plan, DIC111, which began in fiscal year 2019, DIC is making efforts to become a unique global company that is trusted by society and a number of key strategic investments, including mergers and acquisitions (M&As), with the aim of accelerating disruptive growth.

Agreement Regarding the Acquisition of the Shares and Assets of BASF's Global Pigments Business and Transformation of the Business into a Subsidiary

In August 2019, DIC entered into an agreement to acquire the shares and assets of BASF Colors & Effects, the global pigments business of BASF, Europe's largest chemicals manufacturer. The Company expects to close this transaction, which is subject to regulatory approval by pertinent U.S., European and other authorities, in 2020. The cost of this acquisition is 985 million euros (approximately 116.2 billion yen), making it DIC's largest-ever acquisition.

To hasten the qualitative transformation of its Color & Display business, DIC is working to expand its functional pigments business with the aim of driving growth as a leading global manufacturer of high-growth, high-value specialty pigments, including those for displays, cosmetics and automobiles. The annual global pigments market is estimated at approximately 2.3 trillion yen. DIC is a leader in organic pigments and a valued manufacturer of effect pigments (including aluminum pigments). BASF Colors & Effects, which is based in Europe and has sites around the world, has established itself as a prominent global manufacturer of high-performance pigments, effect pigments (including pearlescent pigments) and specialty inorganic pigments. Accordingly, the product portfolios of DIC and the target business are highly complementary, with little product overlap.

Through this acquisition, DIC will add a functional pigments product portfolio which is highly regarded by customers. DIC has committed itself to achieving sustainable growth for its color materials business by expanding its functional pigments business, recognizing this as crucial to bolstering its corporate value.



Management representatives from DIC, Sun Chemical and BASF Color & Effects (In Germany)



Specialty pigments like those used in the coating for this vehicle are a BASF Color & Effects forte (Image)

Notes:

1. The figure above is derived from adjusting cash and debt as of December 31, 2018 from the enterprise value (1,150 million euros) of the target business. The actual cost of acquisition may vary depending on actual net cash/debt and differences in working capital, among others, at closing.
2. Advisory and other fees will depend on fees related to procedures to determine compliance with the antitrust laws of the United States and Europe, as well as of other relevant countries. Accordingly, such expenses are not included.

Special Topic

3

Development of a Solvent-Free Technology that Contributes to Lower CO₂ Emissions

The DIC Group is refocusing its development efforts on sustainable products, environment-friendly products with advanced functions.

Development of *DUALAM*TM, an Instant-Curing Solvent-Free Adhesive for General-Purpose Packaging, and an Innovative Solvent-Free Lamination System

The DIC Group recently succeeded in developing *DUALAM*TM, an instant-curing solvent-free adhesive for general-purpose packaging. The Group also collaborated with Fuji Kikai Kogyo Co., Ltd. to develop *DC Laminator*, an innovative solvent-free lamination system perfectly suited for use with *DUALAM*TM.



(left) Applications for *DUALAM*TM include food products and household goods (right) Lamination system

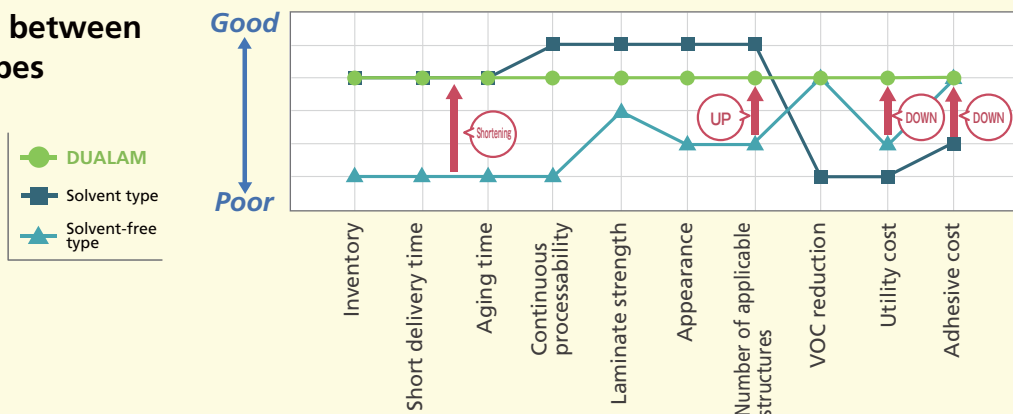
Applications for laminating adhesives include the lamination of layers of film for food packaging.

Against a backdrop of rising concern regarding environmental issues, demand is increasing for solvent-free laminating adhesives that do not require a heat source to bond and that emit significantly less CO₂ emissions during lamination than solvent-based products. However, applications for solvent-free products have been limited to date due to slow curing speeds and issues with appearance.

DIC's new instant-curing technology resolves these problems and facilitates the use of the solvent-free *DUALAM*TM for potato chip bags and other packaging applications that have been impossible to date. Because it shortens the curing time after bonding and allows storage at a low temperature, *DUALAM*TM also helps control utility costs and lengthens the useful life of adhesives, thereby helping reduce losses resulting from the discarding of unsaleable merchandise and lower manufacturing costs.

DIC is currently testing *DUALAM*TM for more diverse packaging applications with a view to bringing this new adhesive to market in 2020 and eventually expanding sales to include overseas markets.

Comparison between adhesive types



Note: Results shown reflect use under typical conditions and are provided for reference only.

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

1) The Company

Corporate Headquarters

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

Branch Offices

Osaka Branch (Osaka) Nagoya Branch (Aichi)

Plants and R&D Facilities

Tokyo Plant (Tokyo)

Sakai Plant (Osaka)

Komaki Plant (Aichi)

Central Research Laboratories (Chiba)

Chiba Plant (Chiba)

Kashima Plant (Ibaraki)

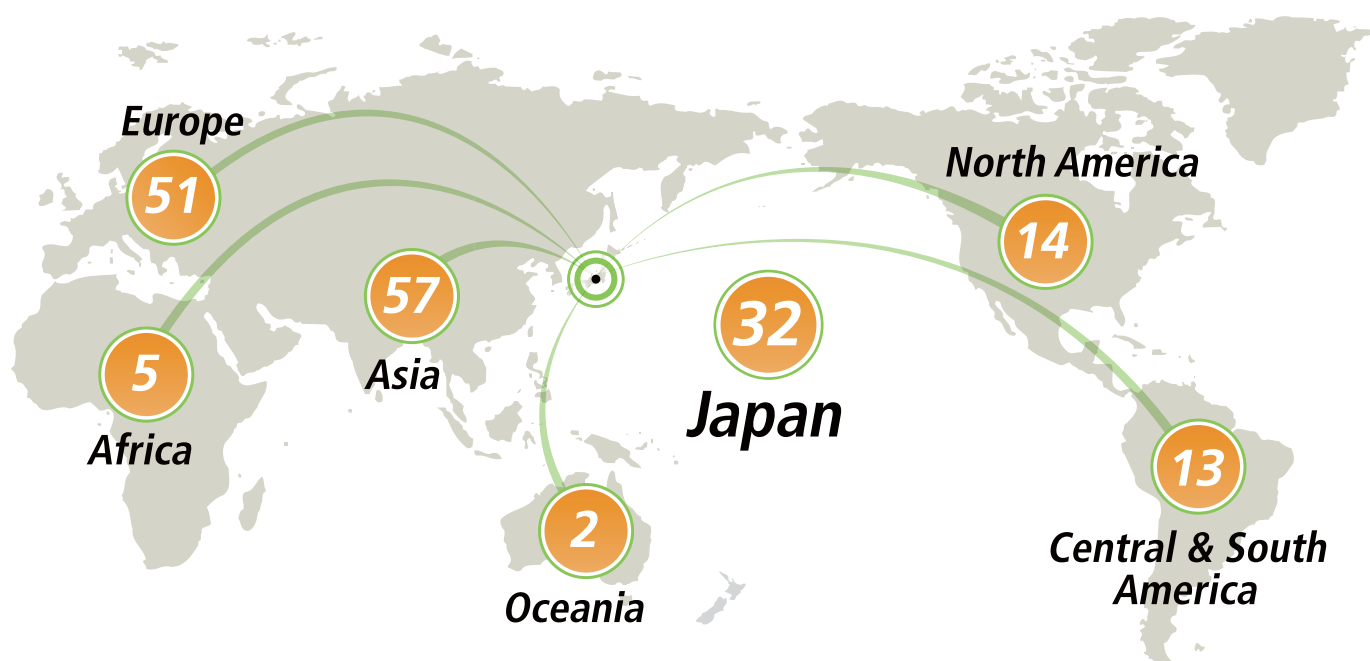
Saitama Plant (Saitama)

Hokuriku Plant (Ishikawa)

Yokkaichi Plant (Mie)

Tatebayashi Plant (Gunma)

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



2) Subsidiaries and Affiliates

Packaging & Graphic (112 companies)

DIC Graphics Corporation (Tokyo, Japan)
Sun Chemical Group Coöperatief U.A. (Netherlands)
PT. DIC GRAPHICS (Indonesia)
Nantong DIC Color Co., Ltd. (PRC)
DIC India Limited (India)
DIC Graphics (Thailand) Co., Ltd. (Thailand)
DIC (MALAYSIA) SDN. BHD. (Malaysia)
DIC Australia Pty Limited (Australia)
and 104 other companies

Color & Display (9 companies)

Qingdao DIC Finechemicals CO., LTD. (PRC)
Earthrise Nutritionals LLC (USA)
and 7 other companies

Functional Products (42 companies)

SEIKO PMC CORPORATION (Tokyo, Japan)
DIC Decor, Inc. (Saitama, Japan)
DIC EP Corporation (Chiba, Japan)
DIC Material Inc. (Tokyo, Japan)
DIC PLASTICS Inc. (Saitama, Japan)
DIC Kitanihon Polymer Co., Ltd. (Miyagi, Japan)
DIC KAKO INC. (Chiba, Japan)
DIC KYUSHU POLYMER Co., Ltd. (Oita, Japan)
Siam Chemical Industry Co., Ltd. (Thailand)
DIC Zhangjiagang Chemicals Co., Ltd. (PRC)
Changzhou Huari New Material Co., Ltd. (PRC)
LIDYE CHEMICAL CO., LTD. (Taiwan)
DIC SYNTHETIC RESINS (ZHONGSHAN) CO., LTD. (PRC)
DIC COMPOUNDS (MALAYSIA) SDN BHD (Malaysia)
PT. DIC Astra Chemicals (Indonesia)
and 27 other companies

Others (10 companies)

DIC Asia Pacific Pte Ltd (Singapore)
DIC (CHINA) CO., LTD. (PRC)
and 8 other companies

7 Principal Subsidiaries and Affiliates

Company Name	Location	Capital	Ownership of Voting Rights	Principal Business
Sun Chemical Group Coöperatief U.A.	Netherlands	€1,501,852 thousand	100.0%	Investment in and financing for Sun Chemical Group companies
DIC Asia Pacific Pte Ltd	Singapore	S\$310,161 thousand	100.0%	Investment in and financing for DIC Group companies in the Asia and Oceania regions, and manufacture and sale of DIC products
DIC (CHINA) CO., LTD.	PRC	RMB697,380 thousand	100.0%	Investment in and financing for DIC Group companies in the PRC
DIC Graphics Corporation	Tokyo, Japan	¥500 million	66.6%	Manufacture and sale of printing inks and supplies
SEIKO PMC CORPORATION	Tokyo, Japan	¥2,000 million	54.5%	Manufacture and sale of papermaking chemicals and resins for printing inks and imaging and reprographic products
DIC INVESTMENTS JAPAN, LLC.	Tokyo, Japan	¥91 million	100.0%	Investment in and financing for DIC Group companies
TAIYO HOLDINGS CO., LTD.	Saitama, Japan	¥9,428 million	19.7%	Investment in and financing for Taiyo Group companies
RENAISSANCE, INCORPORATED	Tokyo, Japan	¥2,210 million	23.0%	Sports club business and nursing care and rehabilitation business

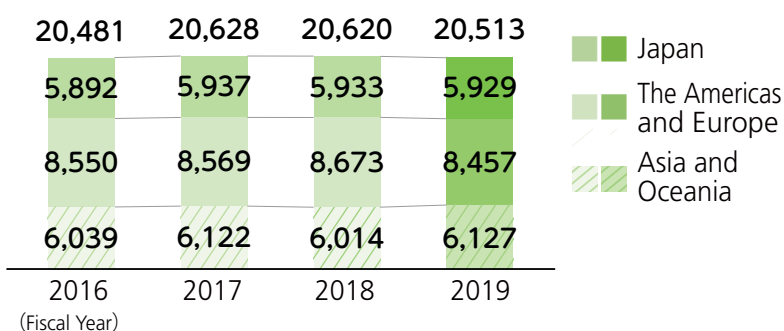
Notes:

1. The figure for capital of Sun Chemical Group Coöperatief U.A. is equivalent to the company's capital reserve since the company has no figure equivalent to the capital.
2. Ownership of voting rights includes indirect investments.
3. Although the ownership of voting rights of TAIYO HOLDINGS CO., LTD. is 19.7%, the Company deems it as an affiliate because the Company has substantial influence over it.

8 Workforce Statistics

Segment	Number of Employees
Packaging & Graphic	10,823
Color & Display	2,614
Functional Products	5,256
Others	661
Corporate (Shared)	1,159
Total	20,513

■ Number of Employees



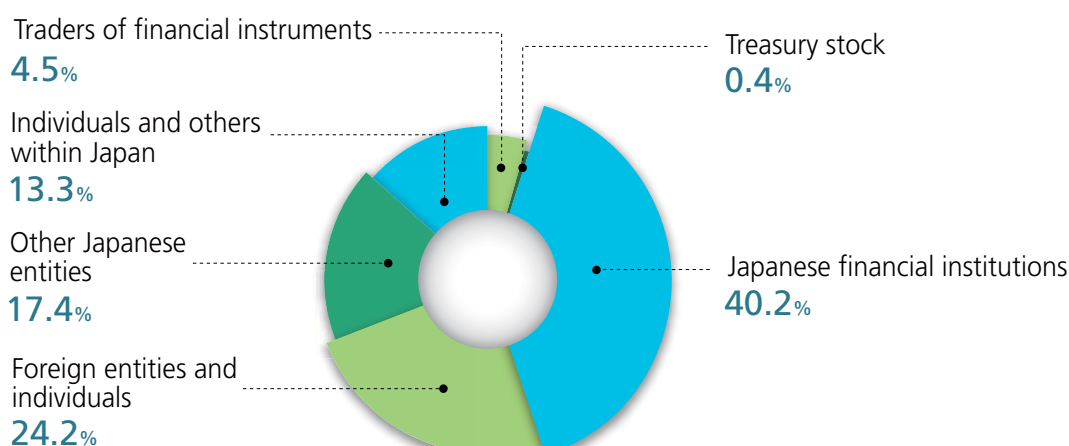
2 Stock Information

1 Total Number of Shares Authorized
150,000,000

2 Total Number of Shares Issued
95,156,904

3 Number of Shareholders
38,885

■ Distribution of Shareholders by Investor Type



4 Major Shareholders

Name of Shareholder	Number of Shares Owned (Thousands)	Shareholding Percentage (%)
SHOEI INC.	12,694	13.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,893	7.27
Japan Trustee Services Bank, Ltd. (Trust Account)	5,009	5.28
The Dai-ichi Life Insurance Company, Limited	3,500	3.69
JP MORGAN CHASE BANK 385632	2,851	3.01
Japan Trustee Services Bank, Ltd. (Trust Account 4)	2,619	2.76
SMBC Nikko Securities Inc.	2,258	2.38
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 7)	1,733	1.83

Notes:

- The above table lists the top 10 shareholders.
- The shareholding percentage is calculated by subtracting the number of treasury shares (365,422 shares) from the total number of shares issued. The number of treasury shares does not include shares held by Trust & Custody Services Bank, Ltd. (146,200 shares) as trustee of the Company's board benefit trust (BBT).

3 Matters Concerning Directors and Audit & Supervisory Board Members

1 Directors and Audit & Supervisory Board Members

1. Directors

Position	Name	Responsibilities at the Company and Principal Concurrent Positions at Other Organizations	Attendance at Board of Directors' Meetings
Chairman of the Board of Directors	Yoshiyuki Nakanishi		18/18 (100%)
Representative Director President and CEO	Kaoru Ino		18/18 (100%)
Representative Director Executive Vice President	Masayuki Saito	Assistant to the President and CEO CFO Chairman of the Supervisory Board, Sun Chemical Group Coöperatief U.A.	18/18 (100%)
Director	Yoshihisa Kawamura	Chairman of the Board of Directors, DIC Graphics Corporation	18/18 (100%)
Director Managing Executive Officer	Hideo Ishii	President, Packaging & Graphic Business Group	18/18 (100%)
Director Managing Executive Officer	Toshifumi Tamaki	Head of Corporate Strategy Unit In charge of Kawamura Memorial DIC Museum of Art	18/18 (100%)
Outside Independent Director	Kazuo Tsukahara		18/18 (100%)
Outside Independent Director	Yoshiaki Tamura	Outside Director, Kawasaki Heavy Industries, Ltd.	18/18 (100%)
Outside Independent Director	Kuniko Shoji	Outside Director, Nichirei Corporation Outside Director, Medipal Holdings Corporation	14/14 (100%)

2. Audit & Supervisory Board Members

Position	Name	Responsibilities at the Company and Principal Concurrent Positions at Other Organizations	Attendance at Board of Directors' Meetings	Attendance at Board of Corporate Auditors' Meetings
Fulltime Audit & Supervisory Board Member	Yoshiyuki Mase		18/18 (100%)	16/16 (100%)
Fulltime Audit & Supervisory Board Member	Hiroiyuki Ninomiya		14/14 (100%)	12/12 (100%)
Outside Independent Audit & Supervisory Board Member	Katsunori Takechi	Attorney Outside Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation	18/18 (100%)	16/16 (100%)
Outside Independent Audit & Supervisory Board Member	Michiko Chiba	Certified public accountant Outside Director and Audit & Supervisory Committee Member, Casio Computer Co., Ltd. Outside Audit & Supervisory Board Member, TDK Corporation	14/14 (100%)	12/12 (100%)

Notes:

- Directors Kazuo Tsukahara, Yoshiaki Tamura and Kuniko Shoji are Outside Directors.
- Audit & Supervisory Board Members Katsunori Takechi and Michiko Chiba are Outside Members.
- Audit & Supervisory Board Member Yoshiyuki Mase is qualified as a certified public tax accountant, oversaw corporate accounts at the Company for many years, and has extensive expertise in finance and accounting.
- Audit & Supervisory Board Member Hiroiyuki Ninomiya oversaw corporate accounts at the Company for many years, was the General Manager of Accounting Dept. and Head of Finance and Accounting Unit, and has extensive expertise in finance and accounting.
- In addition to providing expertise in corporate law, Outside Audit & Supervisory Board Member Katsunori Takechi provides tax accounting services pursuant to Article 51 of the Certified Public Tax Accountant Act and has extensive expertise in finance and accounting.

Notes:

6. Outside Audit & Supervisory Board Member Michiko Chiba is qualified as a certified public accountant, has engaged in the audit of companies for many years, and has extensive expertise in finance and accounting.
7. Outside Directors Kazuo Tsukahara, Yoshiaki Tamura and Kuniko Shoji and Outside Audit & Supervisory Board Members Katsunori Takechi and Michiko Chiba are designated as Independent Directors/Members in accordance with the rules of the Tokyo Stock Exchange.
8. Director Kuniko Shoji and Audit & Supervisory Board Members Hiroyuki Ninomiya and Michiko Chiba were newly elected and assumed office at the 121st Annual General Meeting of Shareholders held on March 27, 2019.
9. At the conclusion of the 121st Annual General Meeting of Shareholders held on March 27, 2019, Director Yukako Uchinaga and Audit & Supervisory Board Member Cindy Yoshiko Shirata retired from their positions, while Audit & Supervisory Board Member Jiro Mizutani resigned from his position.
10. In February 2019, Outside Director Kazuo Tsukahara retired from his position as Outside Director of NACHI-FUJIKOSHI CORP.
11. In June 2019, Outside Audit & Supervisory Board Member Michiko Chiba retired from her position as Outside Audit & Supervisory Board Member of Casio Computer Co., Ltd. and became an Outside Director and Audit & Supervisory Committee Member of Casio Computer Co., Ltd., with that company's transition to a "company with an audit and supervisory committee" structure.
12. In June 2019, Outside Audit & Supervisory Board Member Michiko Chiba became an Outside Audit & Supervisory Board Member of TDK Corporation.
13. Figures for attendance at (a) Board of Directors' meetings for Director Kuniko Shoji and (b) Board of Directors' meetings and Audit & Supervisory Board meetings for Audit & Supervisory Board Members Hiroyuki Ninomiya and Michiko Chiba reflect the number of meetings held subsequent to these individuals' assumption of office on March 27, 2019 until December 31, 2019.
14. In addition to the number of Board Directors' meetings held as shown above, one resolution was adopted that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and Article 23 of the Company's Articles of Incorporation.
15. The Company executed the contract for limitation of liability with all of the Outside Directors and Outside Audit & Supervisory Board Members. Pursuant to the contract, if they neglect their duties and cause damages to the Company, they shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that they acted in good faith and were not grossly negligent in performing their duties.
16. As of January 1, 2020, certain Directors' positions and responsibilities at the Company were amended as shown below.

Position	Name	Responsibilities at the Company and Principal Concurrent Positions at Other Organizations
Representative Director Executive Vice President	Masayuki Saito	Assistant to the President and CEO Chairman of the Supervisory Board, Sun Chemical Group Coöperatief U.A.
Director Advisor	Hideo Ishii	

(Reference)

The Company has adopted an Executive Officer system in order to facilitate the prompt execution of operations and better clarify responsibilities. As of January 1, 2020, Executive Officers who do not concurrently serve as Directors are as shown below.

Position	Name	Responsibilities at the Company
Managing Executive Officer	Masami Hatao	President, Color & Display Business Group General Manager, Display Material Products Div.
Managing Executive Officer	Naoyoshi Furuta	General Manager, Production Management Unit
Managing Executive Officer	Masaya Nakafuji	Head of General Affairs and Legal Unit In Charge of Diversity
Managing Executive Officer	Kazuo Hatakenaka	President, Functional Products Business Group General Manager, Performance Material Products Div.
Managing Executive Officer	Kiyotaka Kawashima	General Manager, Technical Management Unit
Executive Officer	Rudi Lenz	Vice Chairman of the Board, Sun Chemical Corporation
Executive Officer	Shinsuke Toshima	Chairman, DIC (CHINA) CO., LTD. Chairman, DIC (Shanghai) Co., Ltd.
Executive Officer	Taihei Mukose	Head of Purchasing and Logistics Unit Head of ESG Unit

Position	Name	Responsibilities at the Company
Executive Officer	Paul Koek	Managing Director, DIC Asia Pacific Pte Ltd
Executive Officer	Myron Petruch	President and CEO, Sun Chemical Corporation
Executive Officer	Takeshi Asai	General Manager, Corporate Planning Dept. In Charge of Osaka Branch, Nagoya Branch and Integration Promotion
Executive Officer	Koji Asada	Head of SCM Unit
Executive Officer	Masahiro Kikuchi	Deputy Managing Director (AP Region Non Graphic Business and South Asia), DIC Asia Pacific Pte Ltd
Executive Officer	Masamichi Sota	President, Packaging & Graphic Business Group General Manager, Printing Material Products Div.
Executive Officer	Yuji Morinaga	General Manager, Packaging Material Products Div.
Executive Officer	Shuji Furuta	Head of Finance and Accounting Unit CFO
Executive Officer	Kiyofumi Takano	General Manager, New Business Development Headquarters
Executive Officer	Yoshinari Akiyama	General Manager, Color Material Products Div.
Executive Officer	Toshiro Ariga	General Manager, R&D Management Unit General Manager, General Research Laboratories
Executive Officer	Takashi Ikeda	General Manager, Composite Material Products Div.

2 Remuneration for Directors and Audit & Supervisory Board Members

Category	Total Amount (Millions of yen)	Composition of Remuneration (Millions of yen)			Number of Directors and Audit & Supervisory Board Members
		Basic Remuneration	Performance-Based Remuneration		
			Bonus	Stock Compensation	
Directors (Excluding Outside Directors)	269	219	34	16	6
Audit & Supervisory Board Members (Excluding Outside Members)	60	60	—	—	3
Outside Directors	36	36	—	—	4
Outside Audit & Supervisory Board Members	24	24	—	—	3

Notes:

1. The above data includes one Outside Director, one Audit & Supervisory Board Member (excluding one Outside Member) and one Outside Member who retired at the conclusion of the 121st Annual General Meeting of Shareholders held on March 27, 2019.
2. The total amount in the bonus column represents bonuses that are scheduled to be paid after the 122nd Annual General Meeting of Shareholders.
3. The total amount of stock compensation is the monetary amount of the number of the Company's stocks equivalent to the points granted for the fiscal year 2019 based on the performance-based stock compensation plan.

Reference Outline of System of Remuneration for Directors and Audit & Supervisory Board Members

The Company's system of remuneration for Directors and Audit & Supervisory Board Members is as follows:

The Company's basic policy for remuneration is based on the ability to reliably implement business planning and business strategies to design sustainable development and medium- to long-term corporate value improvement, as well as secure diversified capable human resources for the further development of global management.

Remuneration for Directors consists of (a) basic remuneration (fixed), (b) bonuses which are linked to consolidated operating results and achievement of individual targets (performance-based) and (3) stock compensation which is based on medium- to long-term operating results. Directors who serve concurrently as executive officers are eligible for bonuses and stock compensation. Other Directors and Outside Directors are eligible for basic remuneration only.

Audit & Supervisory Board Members are eligible for basic remuneration only.

Remuneration for Directors and Audit & Supervisory Board Members

	Type of Remuneration	Method of Determination	Maximum Limit	Date of Resolution of Annual General Meeting of Shareholders
Directors	Basic Remuneration	①	700 million yen/year as aggregate total of basic remuneration and bonus	June 27, 2007
	Bonus	②		
	Performance-Based Remuneration	Stock Compensation	③	250 million yen as maximum contribution to trust by the Company for three fiscal years
Audit & Supervisory Board Members	Basic Remuneration	④	100 million yen/year	June 28, 2005

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

3 Outside Directors and Audit & Supervisory Board Members

1) Relationship between the Company and Organizations in which Outside Directors and Outside Audit & Supervisory Board Members Concurrently Hold Principal Positions

There are no special interests between the Company and the organizations in which Outside Directors and Outside Audit & Supervisory Board Members concurrently hold principal positions.

2) Principal Activities of Outside Directors and Audit & Supervisory Board Members for Fiscal Year 2019

Position	Name	Attendance at Board of Directors' Meetings	Attendance at Audit & Supervisory Board Meetings	Statements at the Meetings
Director	Kazuo Tsukahara	18/18 (100%)	—	Proactively made statements on proposed resolutions based on extensive experience and expertise in corporate management
	Yoshiaki Tamura	18/18 (100%)	—	Proactively made statements on proposed resolutions based on extensive experience and expertise in corporate management
	Kuniko Shoji	14/14 (100%)	—	Proactively made statements on proposed resolutions based on extensive experience and expertise in corporate management
Audit & Supervisory Board Member	Katsunori Takechi	18/18 (100%)	16/16 (100%)	Proactively made statements on proposed resolutions from his perspective as an attorney with specialized expertise
	Michiko Chiba	14/14 (100%)	12/12 (100%)	Proactively made statements on proposed resolutions from her perspective as a certified public accountant with specialized expertise

Notes:

- Figures for attendance at (a) Board of Directors' meetings for Director Kuniko Shoji and (b) Board of Directors' meetings and Audit & Supervisory Board meetings for Audit & Supervisory Board Member Michiko Chiba reflect the number of meetings held subsequent to these individuals' assumption of office on March 27, 2019 until December 31, 2019.
- In addition to the number of Board Directors' meetings held as shown above, one resolution was adopted that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and Article 23 of the Company's Articles of Incorporation.

4 Matters Concerning the Independent Auditor

1 Name of Audit Firm

Deloitte Touche Tohmatsu LLC

2 Remuneration and Other Payments for the Independent Auditor

	Total Amount (Millions of yen)
Amount of Remuneration and Other Payments Paid by the Company	143
Total Amount of Money and Other Property Benefits to be Paid by the Company and its Subsidiaries	270

Notes:

1. The audit agreement entered into by the Company and its Independent Auditor does not distinguish clearly between the amount derived from the audit under the Companies Act and the amount derived from the audit under the Financial Instruments and Exchange Act and the two amounts cannot be substantially distinguished from each other. Consequently, both are included in the amount of remuneration to be paid by the Company.
2. The accounts of principal overseas subsidiaries are audited by firms other than the firm named above (independent auditor, public accountants or other individuals or firms that hold a certification equivalent to that of independent auditor in Japan) in conformity with the requirements of laws in their respective countries of domicile that correspond to the Companies Act or Financial Instruments and Exchange Act.
3. The Audit & Supervisory Board received briefings about the audit performance for the past fiscal years done by the Independent Auditor, quality of audit, audit plans for fiscal year 2019 and the calculation basis of remuneration estimates from Directors and others in DIC Corporation and the Independent Auditor, and reviewed said briefings accordingly. As a result, remuneration and other payments for the Independent Auditor were approved by the Audit & Supervisory Board because it was appropriate to conduct the audit plan and align the standard to maintain audit quality.

3 Non-Audit Services

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

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

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

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

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

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

I. Basic Concepts Regarding Internal Controls

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

II. DIC Group Internal Control Systems

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

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

Operational Status

The Company has clarified decision-making authority within the DIC Group via the Articles of Incorporation, regulations for meetings of the Board of Directors, regulations for *Ringi*, regulations for authorization, etc. in order to ensure the performance of duties and enhancement of supervisory functions, and the Company continuously reviews these documents. In line with this, in fiscal year 2019, the Company revised regulations for meetings of the Board of Directors and regulations for *Ringi*.

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

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

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

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

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

Operational Status

The Company made important business decisions based on regulations for meetings of meeting of the Board of Directors, regulations for *Ringi* and other regulations. After the resolution of the Board of Directors of the medium-term management plan, DIC111, information on the DIC111 was disseminated through presentations at key DIC Group sites. Monthly progress reports on the annual budget were presented to the Board of Directors.

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

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

Operational Status

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

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

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

Operational Status

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

5 Other Systems for Ensuring Proper Operations of the DIC Group

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

Operational Status

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

6 Systems for Ensuring that Audits by Audit & Supervisory Board Members are Conducted Effectively

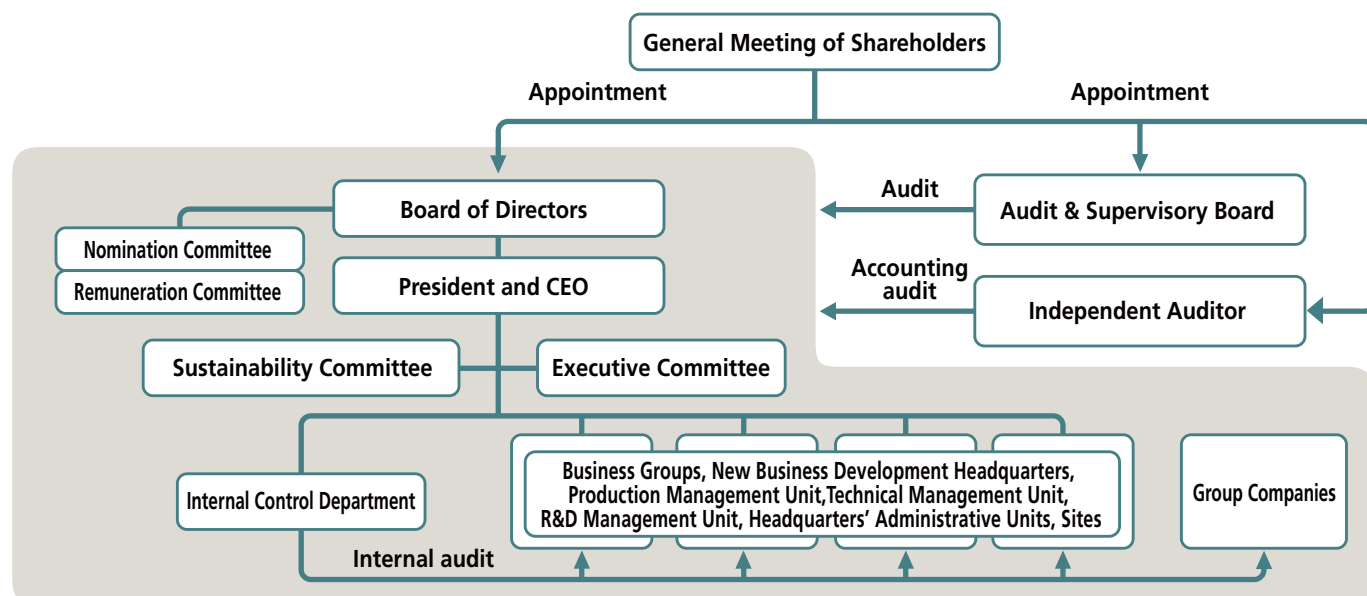
- 1) In addition to attending meetings of the Board of Directors and other important meetings, Audit & Supervisory Board Members may inspect the contents of *Ringi* approvals at any time.
- 2) In addition to meeting with Representative Directors on a periodic basis to exchange information and opinions,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

Operational Status

Audit & Supervisory Board Members attended important meetings, including those of the Board of Directors and the Executive Committee, and reviewed the contents of *Ringi* approvals as necessary. In addition, Audit & Supervisory Board Members held liaison meetings on a periodic basis with Representative Directors, the internal auditing department and the Independent Auditor to exchange opinions. Directors and employees reported on matters designated by the Audit & Supervisory Board, as well as on other important matters.

Audit & Supervisory Board Members also met with the Audit & Supervisory Board Members of subsidiaries in Japan on a periodic basis. Overseas, Audit & Supervisory Board Members participated in meetings of the Board of Directors of regional headquarters, as well as conducted on-site audits, taking into account materiality and risk.

Corporate Governance Structure



Reference Corporate Governance

1 Basic Approach to Corporate Governance

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

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

For more information of the Policy on Corporate Governance, please refer to the Company's website:
https://www.dic-global.com/pdf/ir/management/governance/governance_en.pdf

2 Outline of the Company's Corporate Governance

1) Board of Directors

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

2) Nomination Committee

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



3) Remuneration Committee

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



4) Executive Committee

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

5) Sustainability Committee

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

6) Audit & Supervisory Board

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

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

Accounts	Current Fiscal Year As of December 31, 2019	Previous Fiscal Year As of December 31, 2018 (Reference)	Accounts	Current Fiscal Year As of December 31, 2019	Previous Fiscal Year As of December 31, 2018 (Reference)
(Assets)			(Liabilities)		
I Current assets	399,919	409,652	I Current liabilities	210,126	255,601
Cash and deposits	16,786	19,782	Notes and accounts payable - trade	108,562	118,554
Notes and accounts receivable - trade	211,232	209,763	Short-term loans payable	20,139	29,986
Merchandise and finished goods	91,555	94,611	Current portion of long-term loans payable	23,456	49,792
Work in process	9,566	9,403	Lease obligations	1,244	667
Raw materials and supplies	58,610	61,937	Income taxes payable	2,556	2,843
Other	21,607	23,878	Provision for bonuses	5,724	6,283
Allowance for doubtful accounts	(9,437)	(9,722)	Other	48,445	47,476
II Non-current assets	403,164	391,644	II Non-current liabilities	249,459	218,361
Property, plant and equipment	232,176	228,151	Bonds payable	80,000	60,000
Buildings and structures	88,540	88,892	Long-term loans payable	122,602	119,791
Machinery, equipment and vehicles	70,867	70,951	Lease obligations	5,191	4,229
Tools, furniture and fixtures	11,191	11,395	Deferred tax liabilities	8,768	2,807
Land	51,961	48,985	Net defined benefit liability	21,377	20,519
Construction in progress	9,616	7,928	Asset retirement obligations	1,696	1,482
Intangible assets	11,804	13,782	Other	9,826	9,533
Goodwill	762	34	Total liabilities	459,585	473,962
Software	2,585	2,887	(Net assets)		
Customer-related assets	2,674	3,359	I Shareholders' equity	407,398	396,600
Other	5,782	7,502	Capital stock	96,557	96,557
Investments and other assets	159,184	149,711	Capital surplus	94,456	94,445
Investment securities	59,313	67,523	Retained earnings	218,209	207,421
Deferred tax assets	33,192	33,313	Treasury shares	(1,823)	(1,823)
Net defined benefit asset	44,339	25,089	II Accumulated other comprehensive income	(94,658)	(97,704)
Other	23,020	23,947	Valuation difference on available-for-sale securities	1,676	1,407
Allowance for doubtful accounts	(680)	(161)	Deferred gains or losses on hedges	683	14
Total assets	803,083	801,296	Foreign currency translation adjustment	(72,671)	(67,617)
			Remeasurements of defined benefit plans	(24,346)	(31,508)
			III Non-controlling interests	30,757	28,438
			Total net assets	343,497	327,334
			Total liabilities and net assets	803,083	801,296

Consolidated Statement of Income

(Millions of yen)

Accounts	Current Fiscal Year Ended December 31, 2019	Previous Fiscal Year Ended December 31, 2018 (Reference)
I Net sales	768,568	805,498
II Cost of sales	603,199	629,850
Gross profit	165,369	175,648
III Selling, general and administrative expenses	124,037	127,263
Operating income	41,332	48,385
IV Non-operating income	7,001	9,682
Interest income	2,420	3,781
Dividends income	414	425
Equity in earnings of affiliates	2,475	3,845
Other	1,692	1,631
V Non-operating expenses	7,031	9,365
Interest expenses	3,724	5,114
Foreign exchange losses	811	828
Other	2,496	3,423
Ordinary income	41,302	48,702
VI Extraordinary income	4,435	4,617
Gain on sales of subsidiaries' and affiliates' securities	1,624	679
Insurance income	1,409	237
Gain on sales of non-current assets	1,401	431
Gain on sales of investment securities	—	3,270
VII Extraordinary loss	11,061	4,483
Impairment loss	3,078	—
Loss on disposal of non-current assets	2,399	2,535
Acquisition-related expenses	1,914	—
Loss on disaster	1,520	409
Severance costs	840	1,539
Provision of allowance for doubtful accounts	551	—
Amortization of past service costs	443	—
Loss on sales of subsidiaries' and affiliates' securities	316	—
Income before income taxes and non-controlling interests	34,676	48,836
Income taxes - current	7,869	11,015
Income taxes - deferred	1,461	4,019
Net income	25,346	33,802
Net income attributable to non-controlling interests	1,846	1,774
Net income attributable to owners of the parent	23,500	32,028

Consolidated Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2019	96,557	94,445	207,421	(1,823)	396,600
Cumulative effects of changes in accounting policies	—	—	(774)	—	(774)
Restated balance	96,557	94,445	206,647	(1,823)	395,826
Change in FY 2019					
Dividends from surplus			(11,849)		(11,849)
Net income attributable to owners of the parent			23,500		23,500
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares				6	6
Change in scope of consolidation			(90)		(90)
Change in ownership interest of the parent due to transactions with non-controlling interests		11			11
Net changes of items other than shareholders' equity					—
Total change in FY 2019	—	11	11,561	(1)	11,572
Balance at December 31, 2019	96,557	94,456	218,209	(1,823)	407,398

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income		
Balance at January 1, 2019	1,407	14	(67,617)	(31,508)	(97,704)	28,438	327,334
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	(774)
Restated balance	1,407	14	(67,617)	(31,508)	(97,704)	28,438	326,560
Change in FY 2019							
Dividends from surplus							(11,849)
Net income attributable to owners of the parent							23,500
Purchase of treasury shares							(7)
Disposal of treasury shares							6
Change in scope of consolidation							(90)
Change in ownership interest of the parent due to transactions with non-controlling interests							11
Net changes of items other than shareholders' equity	269	670	(5,055)	7,161	3,046	2,320	5,365
Total change in FY 2019	269	670	(5,055)	7,161	3,046	2,320	16,937
Balance at December 31, 2019	1,676	683	(72,671)	(24,346)	(94,658)	30,757	343,497

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

(Millions of yen)

Accounts	Current Fiscal Year As of December 31, 2019	Previous Fiscal Year As of December 31, 2018 (Reference)	Accounts	Current Fiscal Year As of December 31, 2019	Previous Fiscal Year As of December 31, 2018 (Reference)
(Assets)			(Liabilities)		
I Current assets	152,457	142,941	I Current liabilities	203,398	212,268
Cash and deposits	9,879	4,661	Notes payable - trade	—	130
Notes receivable - trade	7,512	8,509	Electronically recorded obligations	9,744	10,610
Accounts receivable - trade	62,727	53,354	Accounts payable - trade	57,862	61,403
Merchandise and finished goods	21,088	23,705	Short-term loans payable	113,820	119,063
Work in process	4,471	4,616	Accounts payable - other	16,531	14,470
Raw materials and supplies	8,399	8,939	Income taxes payable	—	449
Advance payments - trade	606	474	Accrued consumption taxes	257	—
Prepaid expenses	1,198	1,695	Provision for bonuses	3,760	4,225
Short-term loans receivable	9,370	10,631	Provision for directors' bonuses	34	47
Accounts receivable - other	25,673	25,786	Accrued expenses	461	546
Other	1,554	589	Advances received	169	131
Allowance for doubtful accounts	(20)	(17)	Deposits received	132	567
			Other	628	628
II Non-current assets	536,225	532,915	II Non-current liabilities	187,344	172,755
Property, plant and equipment	99,045	99,233	Bonds payable	80,000	60,000
Buildings	33,212	32,740	Long-term loans payable	95,807	102,098
Structures	5,982	6,001	Provision for retirement benefits	15	14
Machinery and equipment	25,504	25,524	Provision for stock payments	176	152
Vehicles	56	71	Provision for loss on business of subsidiaries and affiliates	2,564	3,057
Tools, furniture and fixtures	5,692	5,758	Asset retirement obligations	637	637
Land	27,574	27,973	Deferred tax liabilities	3,721	2,295
Construction in progress	1,025	1,168	Other	4,425	4,501
Intangible assets	3,110	3,533	Total liabilities	390,742	385,023
Software	2,130	2,350	(Net assets)		
Other	981	1,184	I Shareholders' equity	298,397	292,584
Investments and other assets	434,070	430,148	Capital stock	96,557	96,557
Investment securities	10,422	9,832	Capital surplus	94,156	94,156
Stocks of subsidiaries and affiliates	359,930	360,398	Legal capital surplus	94,156	94,156
Investments in capital of subsidiaries and affiliates	18,625	18,625	Retained earnings	109,508	103,695
Long-term loans receivable	6	7	Other retained earnings		
Prepaid pension cost	27,503	23,938	Reserve for tax deferral of subsidies	145	103
Other	17,730	17,494	Reserve for tax deferral of insurance gains	7	8
Allowance for doubtful accounts	(146)	(146)	Reserve for special account for tax deferral of insurance gains	154	—
			Reserve for tax deferral of capital gains from eminent domain	855	876
			Reserve for reduction entry of replaced property	4,590	5,005
			Retained earnings brought forward	103,757	97,702
			Treasury shares	(1,823)	(1,823)
			II Valuation and translation adjustments	(457)	(1,751)
			Valuation difference on available-for- sale securities	1,327	1,117
			Deferred gains or losses on hedges	(1,784)	(2,868)
Total assets	688,683	675,856	Total net assets	297,940	290,834
			Total liabilities and net assets	688,683	675,856

Non-Consolidated Statement of Income

(Millions of yen)

Accounts	Current Fiscal Year Ended December 31, 2019	Previous Fiscal Year Ended December 31, 2018 (Reference)
I Net sales	219,849	235,394
II Cost of sales	180,030	190,401
Gross profit	39,819	44,993
III Selling, general and administrative expenses	33,168	33,220
Operating income	6,651	11,773
IV Non-operating income	9,304	12,824
Interest income	187	109
Dividends income	8,494	11,833
Other	623	882
V Non-operating expenses	3,295	3,303
Interest expenses	2,142	2,059
Other	1,153	1,244
Ordinary income	12,660	21,294
VI Extraordinary income	9,854	3,813
Gain on sales of subsidiaries' and affiliates' securities	8,464	—
Insurance income	1,390	—
Gain on sales of investment securities	—	3,270
Reversal of provision for loss on business of subsidiaries and affiliates	—	543
VII Extraordinary loss	3,438	1,066
Loss on disposal of non-current assets	974	1,066
Loss on valuation of stocks of subsidiaries and affiliates	365	—
Loss on disaster	1,419	—
Acquisition-related expenses	369	—
Amortization of past service costs	311	—
Income before income taxes	19,075	24,041
Income taxes - current	577	1,664
Income taxes - deferred	836	1,761
Net income	17,663	20,616

Non-Consolidated Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' equity											
	Capital stock	Capital surplus		Retained earnings						Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings					Total retained earnings			
				Reserve for tax deferral of subsidies	Reserve for tax deferral of insurance gains	Reserve for special account for tax deferral of insurance gains	Reserve for tax deferral of capital gains from eminent domain	Reserve for reduction entry of replaced property				Retained earnings brought forward
Balance at January 1, 2019	96,557	94,156	94,156	103	8	—	876	5,005	94,224	100,216	(1,823)	289,106
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	3,478	3,478	—	3,478
Restated balance	96,557	94,156	94,156	103	8	—	876	5,005	97,702	103,695	(1,823)	292,584
Change in FY 2019												
Provision of reserve for tax deferral of subsidies				71					(71)	—		—
Reversal of reserve for tax deferral of subsidies				(30)					30	—		—
Reversal of reserve for tax deferral of insurance gains					(1)				1	—		—
Provision of reserve for special account for tax deferral of insurance gains						154			(154)	—		—
Reversal of reserve for tax deferral of capital gains from eminent domain							(20)		20	—		—
Reversal of reserve for reduction entry of replaced property								(416)	416	—		—
Dividends from surplus									(11,849)	(11,849)		(11,849)
Net income									17,663	17,663		17,663
Purchase of treasury shares											(7)	(7)
Disposal of treasury shares											6	6
Net changes of items other than shareholders' equity												—
Total change in FY 2019	—	—	—	41	(1)	154	(20)	(416)	6,055	5,814	(1)	5,813
Balance at December 31, 2019	96,557	94,156	94,156	145	7	154	855	4,590	103,757	109,508	(1,823)	298,397

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at January 1, 2019	1,117	(2,868)	(1,751)	287,355
Cumulative effects of changes in accounting policies	—	—	—	3,478
Restated balance	1,117	(2,868)	(1,751)	290,834
Change in FY 2019				—
Provision of reserve for tax deferral of subsidies				—
Reversal of reserve for tax deferral of subsidies				—
Reversal of reserve for tax deferral of insurance gains				—
Provision of reserve for special account for tax deferral of insurance gains				—
Reversal of reserve for tax deferral of capital gains from eminent domain				—
Reversal of reserve for reduction entry of replaced property				—
Dividends from surplus				(11,849)
Net income				17,663
Purchase of treasury shares				(7)
Disposal of treasury shares				6
Net changes of items other than shareholders' equity	210	1,084	1,294	1,294
Total change in FY 2019	210	1,084	1,294	7,107
Balance at December 31, 2019	1,327	(1,784)	(457)	297,940

Audit Reports

Audit Report of the Independent Auditor for the Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

February 26, 2020

To the Board of Directors of
DIC Corporation:

Deloitte Touche Tohmatsu LLC

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

Hidetsugu Tsuda

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

Takaya Otake

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

Koji Inoue

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of December 31, 2019 of DIC Corporation (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from January 1, 2019 to December 31, 2019, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DIC Corporation and its consolidated subsidiaries as of December 31, 2019, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

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

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

INDEPENDENT AUDITOR'S REPORT

February 26, 2020

To the Board of Directors of
DIC Corporation:

Deloitte Touche Tohmatsu LLC

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

Hidetsugu Tsuda

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

Takaya Otake

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

Koji Inoue

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet as of December 31, 2019 of DIC Corporation (the "Company"), and the related non-consolidated statements of income and changes in net assets for the 122nd fiscal year from January 1, 2019 to December 31, 2019, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the non-consolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of DIC Corporation as of December 31, 2019, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

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

Audit Report of the Audit & Supervisory Board

AUDIT REPORT

With respect to the Directors' performance of their duties during the 122nd fiscal year (from January 1, 2019 to December 31, 2019), the Audit & Supervisory Board of DIC Corporation (hereinafter referred to as the "Company") has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member and hereby reports as follows:

1. Methods and Details of Audit by the Audit & Supervisory Board and its Members

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

Based on the above-described methods, each Audit & Supervisory Board Member examined the non-consolidated financial statements and the annexed detailed statements, as well as the consolidated financial statements, for the fiscal year.

2. Results of Audit

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

February 27, 2020

The Audit & Supervisory Board of DIC Corporation

Fulltime Member	Yoshiyuki Mase	[Seal]
Fulltime Member	Hiroyuki Ninomiya	[Seal]
Outside Member	Katsunori Takechi	[Seal]
Outside Member	Michiko Chiba	[Seal]



- 1** Fulltime Member
Yoshiyuki Mase
 - 2** Fulltime Member
Hiroyuki Ninomiya
 - 3** Member *
Katsunori Takechi
 - 4** Member *
Michiko Chiba
- * Outside Member

