Color & Comfort

DIC Annual Report 2015

Year ended December 31, 2015

Making it Colorful

Innovation through Compounding

Specialty Solutions

DIC Corporation

One of the world's leading diversified chemicals companies, DIC Corporation is also the core of the DIC Group, a multinational organization with operations in more than 60 countries and territories worldwide. Established in 1908 as a manufacturer of printing inks, DIC has capitalized on its extensive technologies, know-how and experience in the years since to build a broad business portfolio of materials and finished products, enabling it to provide innovative solutions to customers in diverse industries and transforming it into a global powerhouse in its key fields of endeavor.

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

The DIC WAY

Mission

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

Vision

Color and Comfort by Chemistry

Spirit

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

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

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

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

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

Contents

Disclaimer Regarding Forward-Looking Statements

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

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

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

1 Consolidated Financial Highlights

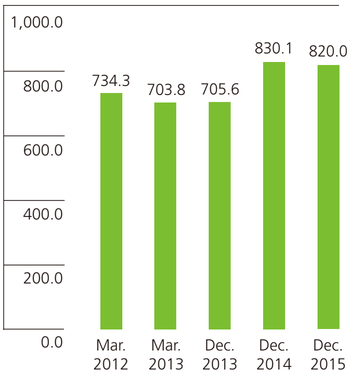
DIC Corporation and Consolidated Subsidiaries
Years ended December 31, 2015, 2014 and 2013

			Millions of yen
	Dec. 2015	Dec. 2014	Dec. 2013
Net sales	**¥819,999**	¥830,078	¥705,647
Operating income	**51,068**	41,076	40,181
Income before income taxes and minority interests	**58,566**	38,894	40,116
Net income	**37,394**	25,194	26,771
Total property, plant and equipment	**233,145**	241,937	233,759
Total net assets	**289,857**	276,723	218,947
Total assets	**778,857**	803,703	761,690
			Yen
Earnings per share (Note 2):			
Basic	**¥38.94**	¥26.78	¥29.23
Diluted	—	—	—
Cash dividends per share applicable to the period (Note 3)	**8.00**	6.00	6.00

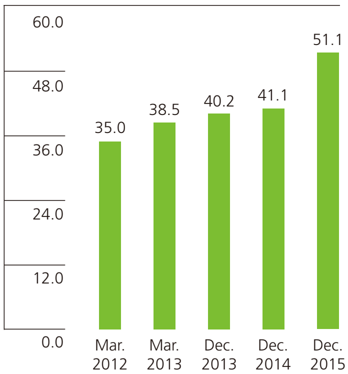
			Thousands of U.S. dollars (Note 1)
	Dec. 2015	Dec. 2014	Dec. 2013
Net sales	**$6,833,325**	$6,917,317	$5,880,392
Operating income	**425,567**	342,300	334,842
Income before income taxes and minority interests	**488,050**	324,117	334,300
Net income	**311,617**	209,950	223,092
Total property, plant and equipment	**1,942,875**	2,016,142	1,947,992
Total net assets	**2,415,475**	2,306,025	1,824,558
Total assets	**6,490,475**	6,697,525	6,347,417
			U.S. dollars (Note 1)
Earnings per share (Note 2):			
Basic	**$0.325**	$0.223	$0.244
Diluted	—	—	—
Cash dividends per share applicable to the period (Note 3)	**0.067**	0.050	0.050

Notes: 1. Yen amounts have been translated, for readers' convenience only, at the rate of ¥120 to US$1, the approximate rate of exchange at December 31, 2015.
2. The computation of earnings per share of common stock has been based on the weighted-average number of shares issued and outstanding during each fiscal year.
3. Cash dividends per share have been presented on an accrual basis to correspond to the related earnings.

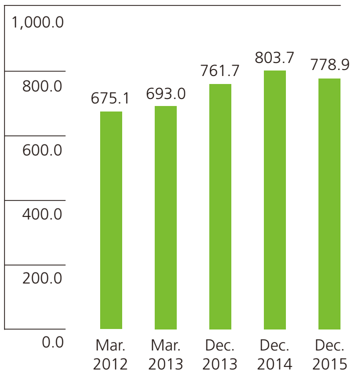
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Total Assets
(Billions of yen)



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

2 To Our Stakeholders

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

Operating Results in Fiscal Year 2015

In the period under review, moderate economic recovery persisted in North America and Europe. In Asia, the pace of growth in the People's Republic of China (PRC) and Southeast Asia decelerated gradually, although a rally was seen in India. Japan's economy remained on a gentle upswing, despite the fact that production levels were flat.

In this environment, consolidated net sales edged down, to ¥820.0 billion. Operating income, at ¥51.1 billion, was up 24.3%, as results benefited from, among others, an improved operating environment and the positive impact of rationalization measures. Ordinary income increased 22.7%, to ¥49.0 billion. Net income rose 48.4%, to ¥37.4 billion.

Looking Ahead

While exchange rates, crude oil prices and market trends in emerging economies continue to warrant caution in fiscal year 2016, economic conditions in Japan and overseas are expected to pick up gradually. Given these circumstances, we will continue striving to expand businesses that will drive growth and rationalize operations in mature markets, in line with DIC108. As of the date of publication of this annual report, we expect these efforts to support increases in both consolidated net sales and consolidated operating income.

Having paid an interim dividend of ¥4.00 per share, we declared an identical year-end dividend, resulting in an annual dividend of ¥8.00 per share. In fiscal year 2016, we plan to pay an interim dividend of ¥4.00 per share. With shareholders having approved a proposal to consolidate shares at a rate of 10 to 1 on July 1, 2016, at the 118th Annual General Meeting of Shareholders, we anticipate paying a year-end dividend of ¥40.00 per share. It is our basic belief that we have a dual responsibility to ensure stable management fundamentals and enhance returns to shareholders. Accordingly, we work tirelessly to improve internal reserves, as well as to maximize those reserves to further reinforce our financial health, thereby positioning ourselves to enhance future returns to shareholders.

In these and all our efforts, we remain grateful for the ongoing support and guidance of our many stakeholders.

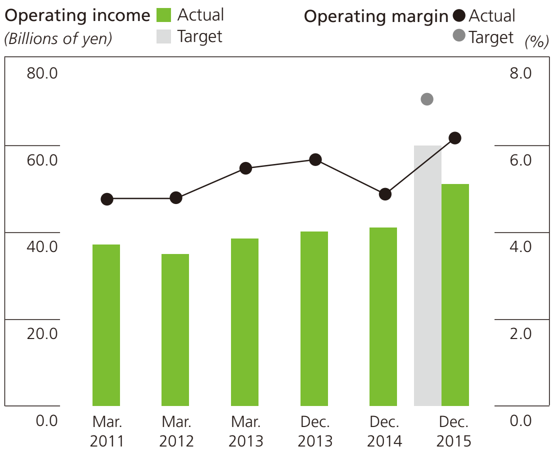
Yoshiyuki Nakanishi
Representative Director,
President and CEO
DIC Corporation

Q: How do you evaluate your performance in fiscal year 2015 and your achievements over the three years of DIC105?

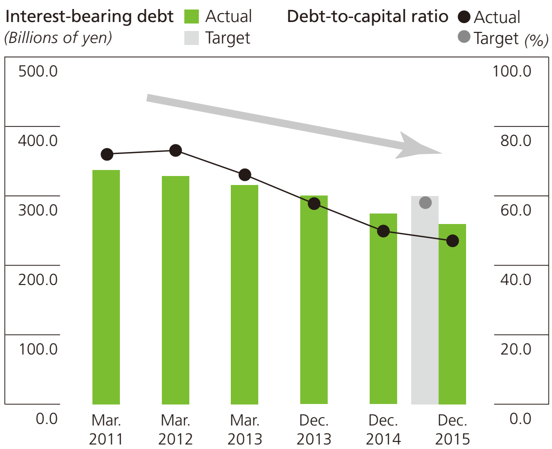
A: Fiscal year 2015 was the final year of DIC105, our previous medium-term management plan. Although short of our DIC105 target of ¥60.0 billion for the year, consolidated operating income totaled ¥51.1 billion, exceeding our forecast of ¥50.0 billion, while net income amounted to ¥37.4 billion, a record high and well above our ¥32.0 billion forecast.

Under DIC105, we succeeded in increasing the operating margin in our printing inks businesses in North America and Europe; expanding the operating foundation of growth-driving businesses, namely, pigments for color filters, polyphenylene sulfide (PPS) compounds and thin-film transistor (TFT) liquid crystals (LCs); revamping our business portfolio based on business domains; and improving our financial balance. Nonetheless, challenges remained. These include the aforementioned operating income shortfall, as well as the need to restructure our businesses framework in mature markets and to create and cultivate next-generation businesses.

Operating Income and Operating Margin



Interest-Bearing Debt and Debt-to-Capital Ratio



Note: Effective from fiscal year 2013, DIC and its domestic consolidated subsidiaries, with the exception of one company, changed their fiscal year-end from March 31 to December 31.

Q: Can you tell us about the positioning of your new medium-term management plan, DIC108?

A: As a first step in formulating DIC108, we revisited our management concept, "The DIC WAY," which includes our mission ("Through constant innovation, the DIC Group strives to create enhanced value and to contribute to sustainable development for its customers and society") and vision ("Color and Comfort by Chemistry"), and pondered the question of who we are and what role we are expected to play going forward. This process led us to articulate three key corporate values that will underpin our efforts to realize our vision:

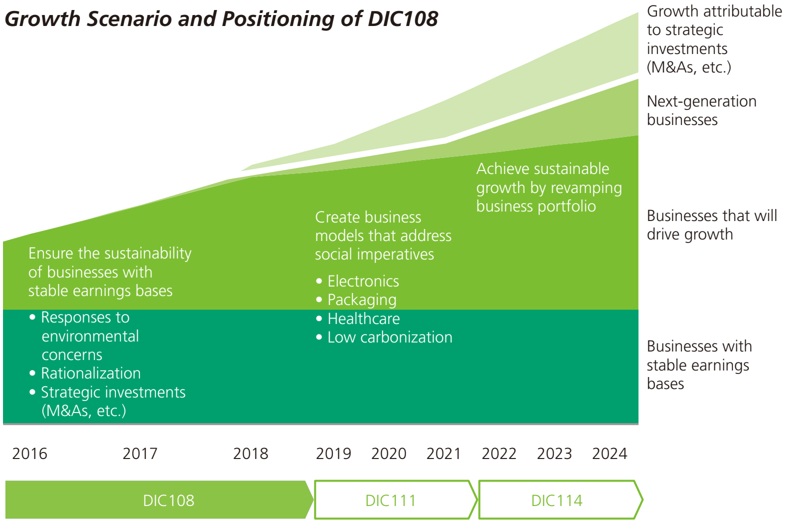
"Making it Colorful"
(DIC helps make life colorful)

"Innovation through Compounding"
(DIC brings innovation to society through its core compounding technologies)

"Specialty Solutions"
(DIC draws on its expertise and comprehensive strengths to offer solutions)

Based on our mission and vision, and on these corporate values, we have created a growth scenario designed to facilitate the realization of sustainable growth.

Growth Scenario and Positioning of DIC108



Q: What are the quantitative targets of DIC108?

A: DIC108 outlines quantitative targets for fiscal year 2018, including consolidated net sales of ¥960.0 billion and consolidated operating income of ¥65.0 billion, representing increases of 17.0% and 27.0%, respectively, from fiscal year 2015. For the first time ever, we have also included targets for return on equity (ROE) (12.0%) in fiscal year 2018, as well as for strategic investments, including in M&As (¥150.0 billion over three years) and dividend payout ratio (around 30% annually). Guided by the plan, we will implement three basic strategies formulated with the aim of achieving these targets. The business strategy seeks to translate the plan's growth scenario into reality through four business initiatives. The finance strategy focuses on pursuing an ideal financial balance with effective cash flow management. The management infrastructure strategy emphasizes supporting globalization and increasing sophistication by establishing a solid management infrastructure.

Q: Efforts to improve your financial balance also appear to have been very successful. How will you build on this under DIC108?

A: DIC105 included a long-term debt-to-capital ratio target of 50% by fiscal year 2018. Accordingly, we took decisive steps to improve our financial balance. Thanks to a number of factors, including increased profitability and the reduction of interest-bearing debt, we exceeded this target a full four years ahead of schedule. More robust financial health has positioned us to allocate funds to promising businesses. Under DIC108 we will continue striving to balance investment in growth, financial health and shareholder returns with the aim of maximizing future shareholder value. In particular, we will work to enhance the virtuous circle of quality investments in growth and cash flows from operations.

Q: In closing, is there anything that you would like to communicate to stakeholders?

A: Our quantitative targets for fiscal year 2016—the first year of DIC108—include consolidated net sales of ¥870.0 billion, operating income of ¥54.0 billion and net income of ¥25.0 billion. The companies of the DIC Group will rally their collective strengths to address the challenges ahead to ensure that we attain these targets. As always, the support of stakeholders is vital to the success of our efforts.

Quantitative Targets of DIC108

(Billions of yen/%)

	2015 Actual	2016 Target	2017 Target	2018 Target	Change (%) 2018/2015
Net sales	¥820.0	¥870.0	¥920.0	¥960.0	17%
Operating income	¥ 51.1	¥ 54.0	¥ 58.0	¥ 65.0	27%
Net income	¥ 37.4	¥ 25.0	¥ 30.0	¥ 40.0	7%
ROE (return on equity)	15.0%	9.0%	10.0%	12.0%	—
Ordinary investments	¥ 34.0		¥120.0		—
Strategic investments (M&As, etc.)	—		¥150.0		—
Debt-to-capital ratio	47%		Around 50%		—
Dividend payout ratio	21%		Around 30%		—

These targets assume exchange rates of ¥120.00/US$1 and US$1.10/€1.

5 Special Feature:

DIC108

Under our previous medium-term management plan, DIC105, we made progress in implementing strategies aimed at establishing a foundation for sustainable growth. Our new medium-term management plan, DIC108, outlines a road map for ensuring sustainable growth going forward and organizes what must be done between now and fiscal year 2018 into three basic strategies.

Business Strategy

Translate the DIC108 growth scenario into reality through four business initiatives

Business initiative 1

Expand businesses that will drive growth

High-performance materials

Under DIC108, we will concentrate management resources on high-performance materials with the potential for market growth over the medium term and expand business by 1.7 times over the plan's three years. These materials encompass four product groups. Three of these—TFT LCs, functional pigments (including pigments for color filters) and PPS compounds—were initially targeted under DIC105. The fourth, jet inks, was added under DIC108.

High-Performance Materials: Product Group-Specific Strategies

TFT LCs

Focus on R&D for n-type TFT LCs

Secure share of market for LCs for liquid crystal display (LCD) manufacturers in the PRC

Increase market share by bringing new products to market

Functional Pigments

Introduce new products in the area of processed pigments and expand sales by increasing production capacity
- *Expand portfolio of pigments for color filters*
- *Increase production capacity for pigments for optical materials*
- *Expand sales of pigments for cosmetics*

PPS Compounds

Expand sales for automotive applications
- *Establish global supply configuration*
- *Expand and improve sales and technical service facilities*

Jet Inks

Introduce new products
- *Water-based inks for high-speed laser printers*
- *Inks for textiles*
- *Inks for coated papers*

Establish global production configuration

Packaging materials (gravure inks, flexo inks, packaging adhesives and films)

We will work to offer distinctive and innovative solutions for customers and brand owners by providing one-stop services that tap into the DIC Group's extensive range of packaging-related materials and technologies. We will also strive to increase net sales ¥50.0 billion by fiscal year 2018.

Packaging Materials: Product Group-Specific Strategies

Gravure Inks	**Flexo Inks**	**Packaging Adhesives**	**Films**
Develop inks with a lower environmental impact Increase share of Asian market for mid-range and low-priced products Improve sales configuration for global customers	Leverage Group technologies in North America and Europe to increase market share in Asia • *Standardize product specifications globally* • *Establish production, supply and technical services configurations*	Position as strategic products and promote cross-selling with gravure inks • *Develop and introduce products, such as solvent-free adhesives, that meet needs in different markets* • *Introduce products with gas-barrier properties*	Rationalize production in Japan Expand operations in Asia • *Capitalize on increase in demand associated with the shift of food processing bases to Southeast Asia* • *Enter retortable film market by offering differentiated products*

Business initiative 2

Pursue opportunities for strategic investments (M&As, etc.)

Capitalizing on a dramatic improvement in financial health under DIC105, we will budget ¥150.0 billion for strategic investments, including in M&As, over three years. In addition to expanding business domains through the creation of next-generation businesses, we will work to increase the sales of our businesses by taking steps to prepare for a future business portfolio overhaul, the aim of which will be to expand businesses that will drive growth, and by ensuring the sustainability of businesses with stable earnings, thereby translating DIC108's growth scenario into reality.

Business initiative 3

Rationalize operations in mature markets

Under DIC105, we implemented decisive measures to restructure our publishing inks businesses in North America and Europe, including large-scale plant closures, which yielded significant benefits. With demand for both publishing inks and news inks expected to continue declining, we will seek to further enhance cost competitiveness by optimizing regional supply systems in line with production configurations streamlined under DIC105 and to ensure a sustainable business structure even in an environment characterized by falling demand. In mature businesses in Japan, namely, publishing inks and polymers, we will implement a drastic restructuring in advance of an expected decline in demand and allocate management resources to growth businesses and markets.

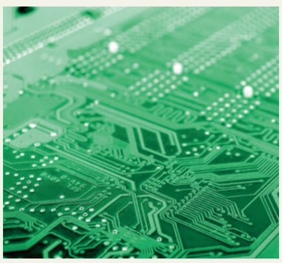
Business initiative 4

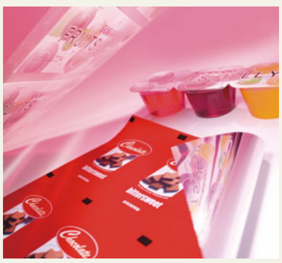
Create next-generation businesses

We will address social imperatives by creating new value in such areas as materials for printed electronics, gas-barrier materials, health foods and algae-derived oils. We will also promote open innovation to overcome dependence on in-house resources and expand technical domains.

Next-Generation Businesses

Area	Electronics	Packaging	Healthcare	Low Carbonization
Next-generation products	Materials for printed electronics Heat-resistant and heat-dissipating materials Inorganic nanomaterials	Gas-barrier materials Next-generation packaging materials	Health foods Materials for medical devices	Algae-derived oils Inks with a lower environmental impact Polymers with a lower environmental impact

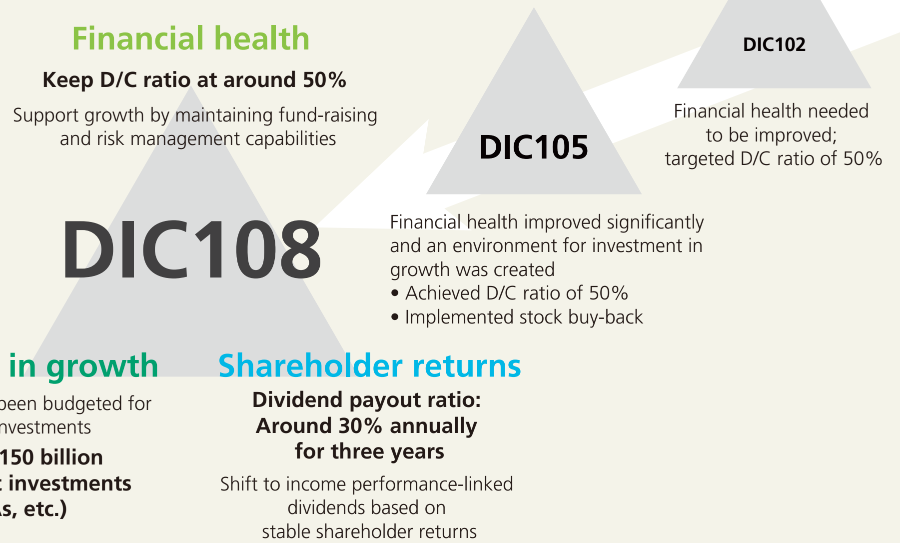




Finance Strategy

Pursue an ideal financial balance with cash flow management

We will capitalize on a dramatic improvement in our financial health under DIC105 to keep our debt-to-capital (D/C) ratio at around 50%, while at the same time supporting growth by maintaining fund-raising and risk management capabilities. Budgeting ¥150.0 billion for strategic investments, including in M&As, over the three years of DIC108 will allow us to invest actively in growth. In regard to shareholder returns, we will endeavor to lift our dividend payout ratio to around 30% annually, with the goal of maximizing future shareholder value.



Management Infrastructure Strategy

Support globalization and increase sophistication by establishing a solid management infrastructure

Efforts to enhance our management infrastructure will center on establishing global technical, R&D, purchasing, shared services center (SSC) and IT configurations to achieve cost reductions and facilitate the implementation of business initiatives. At the same time, we will work to reinforce our corporate governance framework by promoting initiatives designed to increase the trust of stakeholders and enhance our corporate value.

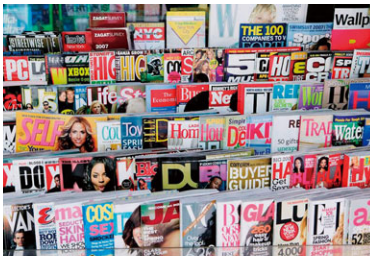
Operations	*Establish a global infrastructure and systems to facilitate the implementation of business strategies*
Technical	Develop technologies essential to strategies and to the sustainability of businesses
R&D	Create a framework encompassing all stages, from R&D through to the creation of new businesses
Purchasing	Implement "one company buying"
Shared services centers (SSCs)	Establish SSCs in the Asia–Pacific region
IT	Establish an infrastructure to support global operations
Corporate governance	*Initiatives aimed at increasing the trust of stakeholders and enhancing corporate value*
Overall	Systematize initiatives implemented to address various challenges
The DIC WAY	Formulate basic management policy to serve as the basis for medium- and long-term efforts to enhance corporate value
Management system	Accelerate business execution and clarify responsibility by separating decision making and execution
Sustainability	Achieve sustainable growth in a manner that takes into account, among others, the environment, ecosystems and socioeconomic issues
Diversity	Understand and respect diversity and develop a corporate culture which generates creative thinking
Code of conduct	Establish a code of business conduct that encompasses not only obeying laws but also acting in keeping with social norms and in a manner that responds to stakeholder expectations
Disclosure of information, etc.	Secure the understanding and trust of stakeholders by ensuring the transparency and fairness of management

Principal Products

Printing Inks

Printing inks

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

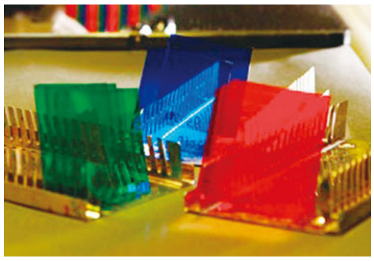




Fine Chemicals

Fine chemicals

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

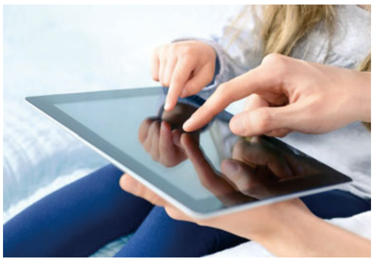
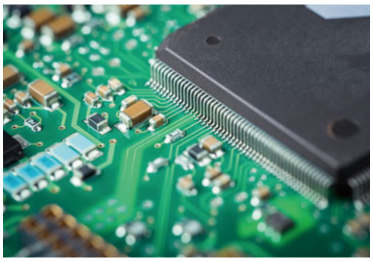




Polymers

Polymers

•Synthetic resins for inks and coatings, molded products, adhesives and textiles (polyurethane, epoxy, polystyrene, polyester, acrylic and phenolic resins, plasticizers) •Papermaking chemicals •Bathtubs and bath units •Synthetic marble •Sheet molding compounds (SMCs)

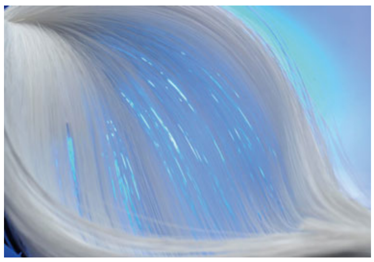

Application Materials

Liquid compounds •Jet inks •Wood finishes •Fiber and textile colorants

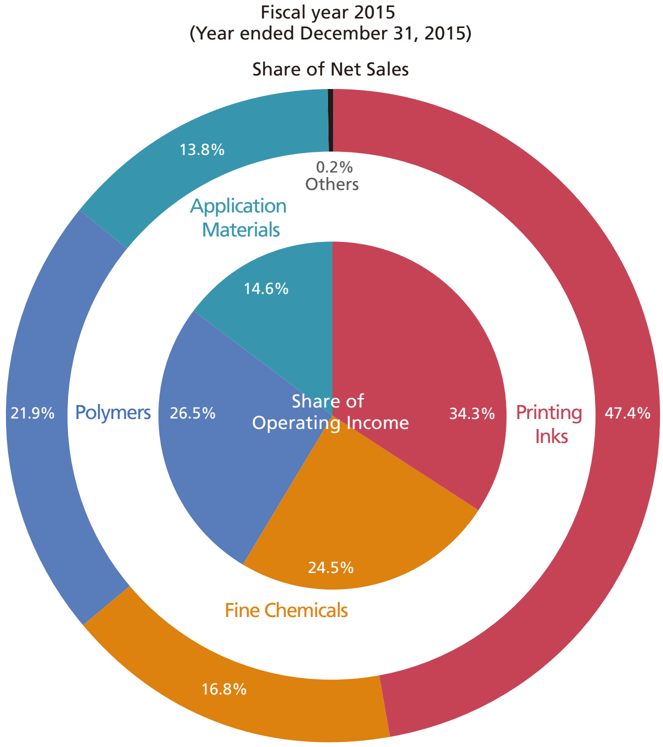
Solid compounds •Plastic colorants •Polyphenylene sulfide (PPS) compounds •High-performance optical materials •Coextruded multilayer films

Processed products •Decorative boards •Interior housing products •Industrial adhesive tapes •Plastic pallets •Containers •Hollow-fiber membranes •Hollow-fiber membrane modules •Health foods

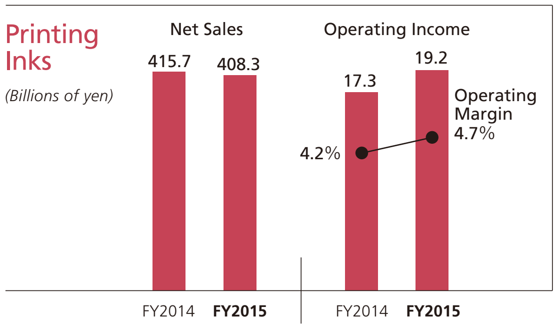


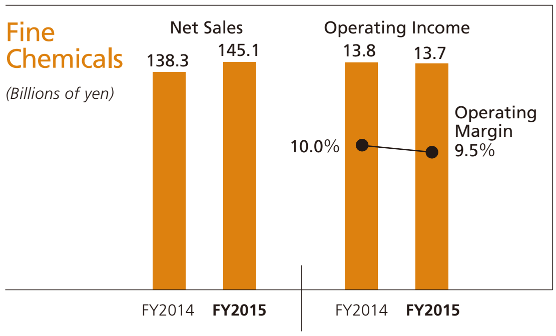


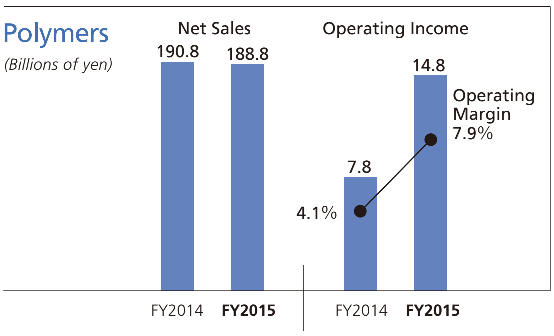
Fiscal Year 2015 (Year ended December 31, 2015) and Fiscal Year 2014 (Year ended December 31, 2014)

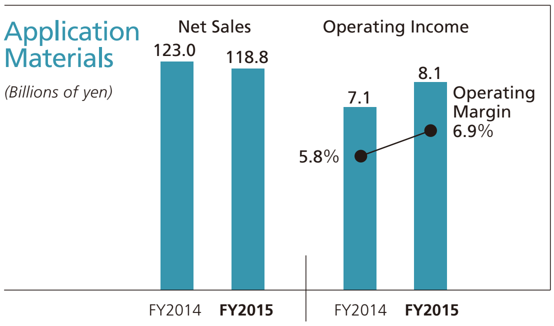


Note: Net sales and operating income as used here include intersegment transactions. For this reason, and because of the existence of transactions that are not attributable to reportable segments, these figures differ from the net sales and operating income figures presented in the Consolidated Financial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









With the aim of realizing our Color and Comfort by Chemistry vision, we are actively building a portfolio of next-generation products and new technologies that will support sustainable growth. To this end, we are expanding and adding depth to our basic technologies, including those in the areas of optics and color, organic molecular design, polymer design, dispersions and other areas, and combining these technologies in innovative ways.

Our R&D organization centers on the Technical Administrative Division, which is responsible for R&D connected directly to our businesses; the Corporate R&D Division, which is charged with cultivating next-generation businesses, as well as with reinforcing and augmenting core technologies; and the Product Innovation Center, an intermediate unit between the two divisions that is tasked with ensuring the swift commercialization of products combining multiple technologies and products developed by the Corporate R&D Division on a project basis. To increase research efficiency and accelerate development efforts, thereby maximizing global management resources, these divisions also cooperate with DIC Graphics Corporation and other domestic Group companies; the Sun Chemical Group's research centers in the United States, the United Kingdom and Germany; and Qingdao DIC Finechemicals Co., Ltd., a corporate research facility in the PRC.

Since fiscal year 2014, we have established printing inks and polymer technical centers in the Asia–Pacific region and the PRC, as well as PPS technical centers in the PRC and Germany, positioning us to modify products to suit local customers' needs and to provide prompt technical services. Additionally, in the United States we opened the DIC/Earthrise Algae Research Center, a facility that will capitalize on expertise we have accumulated through the production of Spirulina for use in health foods, among others, to conduct comprehensive algae-related research in areas ranging from cultivation to practical application. We also collaborate actively with other companies, government bodies and academic institutions in the areas of investigative and basic research in a variety of next-generation technological spheres.

In fiscal year 2015, consolidated R&D costs amounted to ¥12.2 billion. A further ¥14.7 billion was allocated to efforts aimed at modifying or customizing existing products manufactured by DIC and DIC Graphics.

Recent Achievements

Printing Inks

New DIC products released in fiscal year 2015 included an offset ink that dries at low temperatures, facilitating a reduction in energy costs, a high-sensitivity ultraviolet (UV)-curable ink that uses an innovative resin and a sheetfed ink containing an anti-setoff agent, eliminating the need to use a spray powder to prevent ink set-off, that is, the unwanted transfer of ink from a printed sheet to the back of the next sheet in the stack. With the completion of development of the launch version of *DIC COLORCLOUD*, a cloud-based color sample service, we began proposing a variety of preproduction software solutions incorporating the service, including digital proofing systems. Newly developed products in the area of adhesives for flexible packaging included a vapor-deposited reinforcing adhesive that improves the barrier properties of laminated packaging films when used with aluminum vapor-deposited film layers; an ether-based adhesive, only a small amount of which needs to be applied to laminated layers to achieve a superior surface finish; and a high-solid adhesive that delivers exceptional resistance to the impact of package contents.

Overseas, the Sun Chemical Group introduced a new water-based flexo ink that does not contain bisphenol A (BPA), to address growing consumer concerns regarding potential health risks. In the area of energy-cured flexo inks, the Sun Chemical Group developed a base ink system that responds to the needs of manufacturers of food packaging materials for low-migration inks. Joint DIC–Sun Chemical projects designed to maximize respective strengths continued to promote the development of, among others, offset inks for Asian markets other than Japan and raw materials with excellent gas-barrier properties for coatings. The number of products developed through these initiatives to be commercialized continues to increase.

Fine Chemicals
In products for LCDs, fiscal year 2015 brought the development and start of full-scale production of a new green pigment for wide-color gamut color filters. We also developed and launched n-type LC materials for fringe field switching (FFS) mode, which boast a high light transmittance rate, for use in LCDs for smartphones and other mobile devices. A series of ultrafine pigments newly developed by the Sun Chemical Group were adopted for use in high-performance coatings. A top manufacturer of pigments for use in cosmetics with a broad range of colors, the Sun Chemical Group also continued to leverage the strength of the DIC Group to commence full-scale sales to cosmetics companies in Japan.

Polymers
In products for use in electronics materials, we developed an innovative epoxy curing agent that combines low-dielectric properties and a high glass transition temperature for use in circuit boards for communications infrastructure applications, a cutting-edge highly heat-resistant novolac resin designed for use as a solder resist in semiconductor fabrication and a fluorosurfactant that combines outstanding leveling properties and recoatibility in thin-film coatings for use as a photoresist leveling agent. We also expanded our range of environment-friendly nonhalogenated epoxy resins for use as semiconductor encapsulation materials by adding new grades, while sales of these resins for circuit board-related applications, which demand low-dielectric properties, progressed steadily. In products for coatings applications, we focused

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

on the development of epoxy resins, acrylic resins and polyurethane resins for use in water-based coatings, several of which we succeeded in commercializing. We also developed a self-healing acrylic coating resin for automotive interiors that delivers a highly tactile finish.

Application Materials
In the area of industrial-use adhesive tapes, we made solid progress in the development of double-coated tapes incorporating high-performance waterborne adhesives for automotive interiors that addresses needs for lower volatile organic compound (VOC) content and a reduced odor. In co-extruded multilayer films, we developed a film for food packaging applications featuring an outstanding design reminiscent of traditional Japanese paper, which has since been adopted for use in packaging for bread and other products. In PPS polymers, we continued to promote the incremental expansion of our production capacity, completing the first stage of this effort, which centered on process development. We also focused on developing groundbreaking proprietary production processes with the aim of reducing associated costs. In hollow-fiber membrane modules, which are used to deaerate liquids, we have attained considerable success in developing small and medium-sized degassing modules for jet inks. We also formally entered the market for large modules by developing products that respond to the needs of manufacturers in the electrical and electronics industries for ultrapure water production systems. Achievements by the Sun Chemical Group included the announcement of a new series of low-migration UV-curable jet inks.

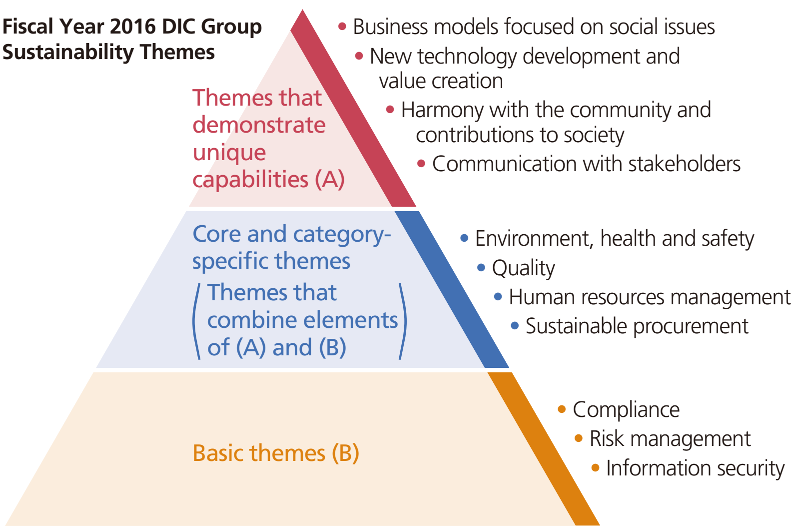
In recent years, the need to achieve sustainable growth in a manner that takes into account, among others, the environment, ecosystems and socio-economic issues, has gained increasing recognition worldwide. Today, the DIC Group promotes sustainability initiatives and works to maintain an accurate grasp of society's demands with regard to environment, society and governance (ESG)-related issues.

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

Respect for Human Rights

The DIC Group Code of Business Conduct, which outlines standards that DIC Group employees are expected to observe, lays down provisions prohibiting human rights violations and requiring respect for diversity—philosophies that are the foundation of the DIC Group's corporate activities. In fiscal year 2014, 57 domestic and overseas Group companies underwent voluntary human rights and labor practices inspections as part of ongoing efforts to prevent issues from arising. All DIC Group employees are obliged to provide written pledges to abide by the code and to conduct themselves as stipulated therein.

Fiscal Year 2016 DIC Group Sustainability Themes



** DIC divides its sustainability activities into four regional groupings: Japan, the Americas and Europe, Greater China—which for DIC encompasses the PRC, the special administrative region of Hong Kong and Taiwan—and the Asia–Pacific region. This differs from the geographic breakdown used elsewhere in the annual report.*

Risk Management

The DIC Group undertakes risk management initiatives with the goal of appropriately and flexibly addressing changes in its operating environment and the diversification of risks, and of swiftly mitigating damage. The Group recognizes risks in three principal categories: externally caused risks that are beyond its control, corporate risks that can be prevented and business risks that should be handled by the relevant departments. The Risk Management Conference works to ensure effective risk management by and an effective division of responsibilities with individual businesses.

The Group also promotes initiatives aimed at responding to serious natural disasters and promoting business continuity management (BCM). At present, the Group has designated 12 priority risks and begun formulating response measures. Since fiscal year 2014, the Risk Management Subcommittee has focused its attention on establishing a risk management policy and a risk management system, efforts that are designed to further enhance corporate value Groupwide. In a bid to ensure the effective and sustainable implementation of initiatives, in January 2015 the Group introduced a newly formulated risk management policy.

Contributing to the Prevention of Global Warming

To reduce its consumption of energy, and thus its emissions of CO_2, the DIC Group is undertaking energy-saving initiatives, operating energy-saving cogeneration systems and employing energy from renewable resources at suitable sites. At present, DIC Group companies outside of Japan collectively consume approximately 1.6 times more energy than their counterparts in Japan. Having introduced management by objectives (MBO) to assist the efforts of these companies to reduce energy consumption, the Group is now promoting a full-scale program of energy-saving initiatives overseas.

Initiatives in Japan

In fiscal year 2015, energy consumption per unit of production by the DIC Group in Japan was down 2.4% from fiscal year 2014, owing to the implementation of 493 energy-saving initiatives, which supported a reduction of 2,506 kl, equivalent to 1.9% of the total volume of energy used. Fossil fuel use by domestic Group companies declined 12,524 kl, equivalent to 11.5% of total energy used, thanks to the expanded use of energy from renewable sources, i.e., generated using biomass boilers, wind power or solar power. In December 2015, the Group installed a gas turbine-powered cogeneration system with a capacity of 1,700 kW at the Kashima Plant, boosting the maximum capacity of its cogeneration systems in Japan up to 21,366 kW. Thanks to this new system, independently generated power, which accounted for 21.5% of energy consumed by domestic Group companies in fiscal year 2015, is expected to increase in fiscal year 2016.

Initiatives Overseas

CO_2 emissions per unit of production by overseas DIC Group companies in fiscal year 2015 edged up 1.4%, despite the implementation of 77 energy-saving initiatives, which reduced energy consumption by 777 kl. This was primarily attributable to an increase of approximately 30% in output of items for which energy consumption per unit of production is high in the Asia–Pacific region.

In the period under review, energy officers from sites in Greater China and the Asia–Pacific region gathered for regional energy management conferences on the theme of saving energy. The Asia–Pacific region's conference, held in May in Jakarta, brought together 27 energy managers from 10 companies and DIC Asia Pacific Pte Ltd, who met to discuss the progress of energy-saving initiatives and the establishment of targets, and used case studies to share best practices. Additionally, laser charts were used to identify issues at and provide guidance to five significant energy-consuming companies in Indonesia, Singapore and Malaysia for which energy audits were conducted during the period.

Global Achievements

Thanks to the implementation of 570 energy-saving initiatives in Japan and overseas, energy consumption by the global DIC Group in fiscal year 2015 was down 3,283 kl, or 1.1%, from fiscal year 2014. Contributing factors included an increase in output of products for which energy consumption per unit of production is high and the inclusion of 21 Group offices in Japan in calculations. As a consequence, the Group's CO_2 emissions were level.

Social Contribution Initiatives

In 2015, Group company Siam Chemical Industry Co., Ltd., was presented with a CSR-DIW Award for 2015 by the Thai Ministry of Industry, the fourth consecutive year it has been so honored. CSR-DIW awards are given annually to companies in recognition of corporate social responsibility (CSR) initiatives judged as exceptional from the perspective of the seven core subjects defined in ISO 26000, the International Organization for Standardization's standard for social responsibility. Siam Chemical's 2015 award was in recognition of its energy-saving initiatives, as well as volunteer activities such as mangrove planting and community support activities, including sponsorship for blood drives. Particularly high marks were given to the progress of efforts to minimize emissions of greenhouse gases by reducing its consumption of energy, which include tracking consumption and providing pertinent information to employees. Thanks to such efforts, the company used approximately 10% less energy in fiscal year 2015 than in the previous year.

External Assessments

In fiscal year 2015, DIC was selected for inclusion in the Dow Jones Sustainability Indices Asia Pacific Index, a leading benchmark for sustainability initiatives in the Asia–Pacific region and part of the Dow Jones Sustainability Indices (DJSI), a global family of indices for socially responsible investment (SRI). This is the first time DIC has been included in the DJSI Asia Pacific Index.

DIC also reports to the CDP (formerly the Carbon Disclosure Project), which works on behalf of institutional investors to motivate companies to disclose information on initiatives to combat climate change and key environmental data. The CDP has consistently recognized the Group's environmental initiatives and in fiscal year 2015 awarded it an overall score of 98A- (98 points for disclosure and a performance class of A-), one of the highest scores among materials manufacturers based in Japan.

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

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

Basic Policy

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

Overall Structure

DIC has instituted an executive officer system, a move aimed at separating decision making and implementation and thereby accelerating business execution and clarifying responsibilities. As well as appointing two highly independent outside individuals to its Board of Directors, the Company has taken steps to reinforce its monitoring of business execution. DIC also has a Nomination Committee and a Remuneration Committee, which include the two outside directors, to ensure objectivity in the nomination of, and in determining remuneration for, directors and executive officers. The four-member Board of Auditors, which includes one attorney and one academic with extensive knowledge of accounting as outside auditors, liaises with the accounting auditors and the internal auditing department. This structure ensures the effective functioning of DIC's corporate governance system.

Other Important Corporate Governance–Related Matters

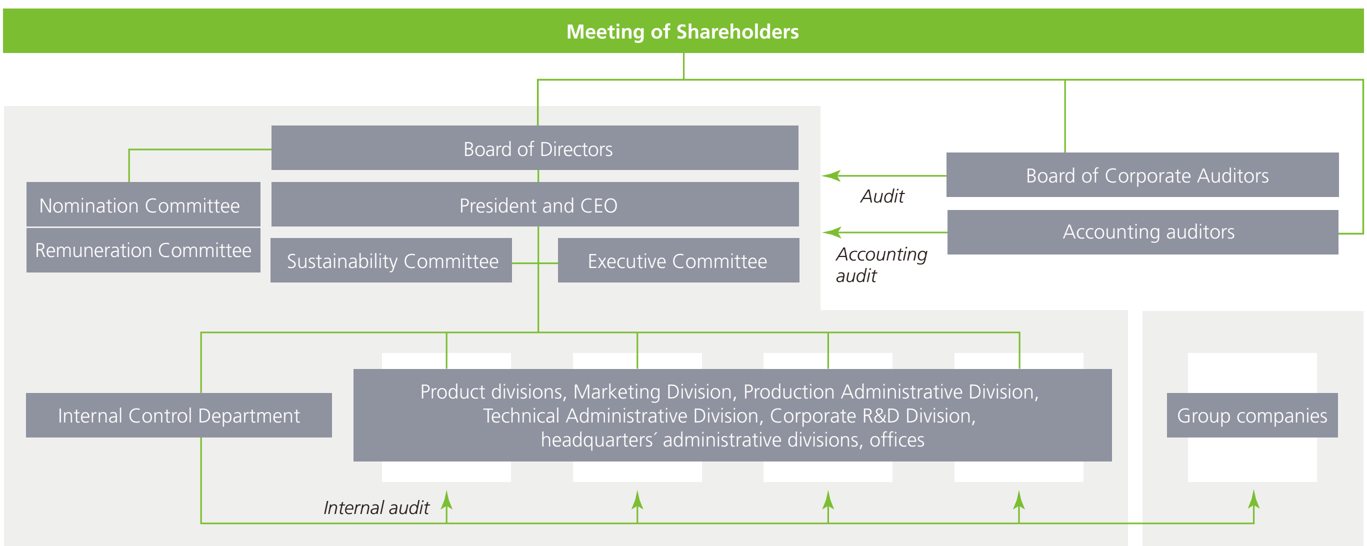
DIC has two publicly listed subsidiaries: Seiko PMC Corporation in Japan, and DIC India Ltd. Management decisions for these companies are approved by their respective boards of directors and annual meetings of shareholders. As a shareholder, DIC exercises its voting rights at the annual meetings of shareholders of each of the companies. DIC also receives information on the internal controls of each of the companies, enabling it to make proper evaluations. Hiring procedures for the two companies are independent from those of DIC.

Corporate Governance Organization

Board of Directors

To accelerate decision making and reinforce corporate governance, seven directors have been elected. Of the seven, two are outside directors. In principle, the Board of Directors meets once monthly.

Corporate Governance Organization



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

Nomination Committee

The Nomination Committee was established as an internal committee of the Board of Directors with the aim of ensuring objectivity in the nomination of candidates for the position of director or auditor, and the dismissal of serving directors, corporate auditors and executive officers, among others. The Nomination Committee, which submits proposals to the Board of Directors, meets as necessary. Two of the committee's three members are outside.

Remuneration Committee

The Remuneration Committee was established as an internal committee of the Board of Directors with the aim of enhancing the objectivity of procedures for determining executives' remuneration. The Remuneration Committee, which has been entrusted with the responsibility for determining the salaries and bonuses of directors and executive officers, meets as necessary. Two of the committee's three members are outside.

Executive Committee

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

Sustainability Committee

The Sustainability Committee, which functions as an advisory body, meets several times annually to formulate sustainability policies and activity plans, as well as to evaluate and promote initiatives. Committee members include directors designated by the Board of Directors. As part of audit activities, one corporate auditor also attends Sustainability Committee meetings. The Sustainability Committee reports the matters upon which it deliberates and the results of its deliberations to the Board of Directors.

Board of Corporate Auditors

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

Board of Directors and Corporate Auditors

(As of March 29, 2016)

Representative Directors	Yoshiyuki Nakanishi	Masayuki Saito
Directors	Yoshihisa Kawamura	Hitoshi Wakabayashi
	Kaoru Ino	
	Takao Suzuki*	Yukako Uchinaga*
Corporate Auditors	Jiro Mizutani	Yoshiyuki Mase
	Katsunori Takechi*	Cindy Yoshiko Shirata*

* *Outside*

Internal Auditing Department

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

Accounting Auditors

DIC has engaged Deloitte Touche Tohmatsu LLC as its independent auditors. DIC strives to ensure an environment that facilitates the accurate disclosure of information and fair auditing. In fiscal year 2015, DIC was audited by Yoshiaki Kitamura, partner; Takaya Otake, partner; and Koji Inoue, partner. Messrs Kitamura, Otake and Inoue were assisted by approximately 30 qualified public accountants.

Basic Concepts Regarding Internal Control

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

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

- 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.

- The Company shall appoint outside directors and shall work to bolster monitoring functions with regard to management.
- 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 shall comply with, and to disseminate the same.
- The Company shall establish an internal auditing department and shall monitor the status of the preparation 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 the representative directors on a periodic basis, and those matters of particular importance are to be reported to the Board of Directors.
- The Company shall 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. DIC 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.
- The Company shall sever any and all connection with antisocial elements and shall collaborate with legal counsel and the police in making firm responses to unwarranted demands made by such antisocial elements.

Systems for Ensuring that the Duties of Directors Are Performed Efficiently

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

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

- Information pertaining to the performance of duties by directors, such as minutes of the Board of Directors' meetings and *Ringi* documents, shall be recorded, retained and managed appropriately based upon the regulations for document management.
- 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.

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

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

Other Systems for Ensuring the Proper Operations of the DIC Group

- 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.
- The Company shall clarify important matters pertaining to subsidiaries that require approval of or reporting to the Company.
- The internal auditing department shall conduct internal audits of the subsidiaries on a periodic basis.

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

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

Financial Section

Contents

Consolidated Six-Year Summary

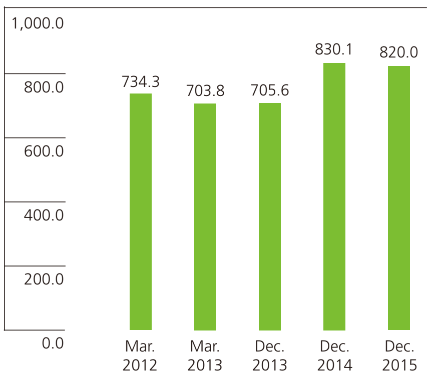
DIC Corporation and Consolidated Subsidiaries
Years ended December 31, 2015 to 2013, and years ended March 31, 2013 to 2011

Millions of yen, except for per share information

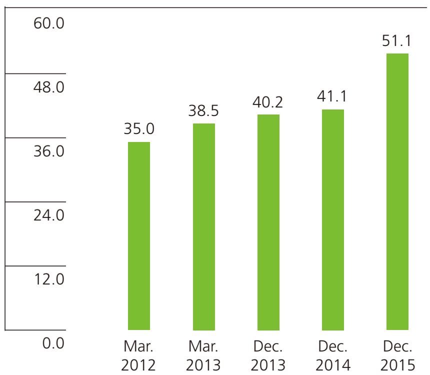
	Dec. 2015	Dec. 2014	Dec. 2013	Mar. 2013	Mar. 2012	Mar. 2011
Net sales	**¥819,999**	¥830,078	¥705,647	¥703,781	¥734,276	¥778,964
Percent increase (decrease) (Note 4)	**(1.2)%**	—%	—%	(4.2)%	(5.7)%	2.8%
Operating income	**51,068**	41,076	40,181	38,484	34,960	37,152
Net income	**37,394**	25,194	26,771	19,064	18,158	15,761
Equity (Note 3)	**262,467**	249,749	195,218	136,921	101,911	107,748
Total assets	**778,857**	803,703	761,690	692,991	675,067	703,760
Equity per share (Note 1)	**¥276.84**	¥259.63	¥213.13	¥149.48	¥111.08	¥117.44
Earnings per share (Basic) (Note 2)	**38.94**	26.78	29.23	20.80	19.79	17.60
Equity ratio to total assets	**33.7%**	31.1%	25.6%	19.8%	15.1%	15.3%
ROE (return on equity)	**14.6%**	11.3%	16.1%	16.0%	17.3%	15.1%
Number of employees	**20,264**	20,411	20,034	20,273	20,455	21,572

Notes: 1. The computation of equity per share of common stock has been based on the number of shares issued and outstanding as of the balance sheet date.
2. The computation of earnings per share of common stock has been based on the weighted-average number of shares issued and outstanding during each fiscal year.
3. Equity comprises "Total shareholders' equity" and "Total accumulated other comprehensive income."
4. In order to align the fiscal year-end with that of its consolidated subsidiaries overseas, effective from fiscal year 2013, DIC Corporation changed its fiscal year-end from March 31 to December 31. As a result, the fiscal year ended December 31, 2013, was a transitional irregular nine-month period, comprising the nine months from April to December for DIC Corporation and its subsidiaries whose fiscal year-end was previously March 31 and the 12 months from January to December for its subsidiaries whose fiscal year-end is December 31. Therefore, the percent increases (decreases) for the fiscal years ended December 31, 2013 and 2014, are not given.

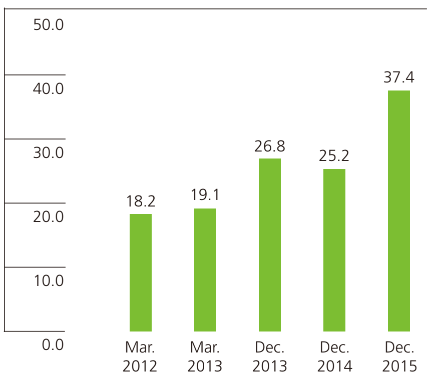
Net Sales
(Billions of yen)



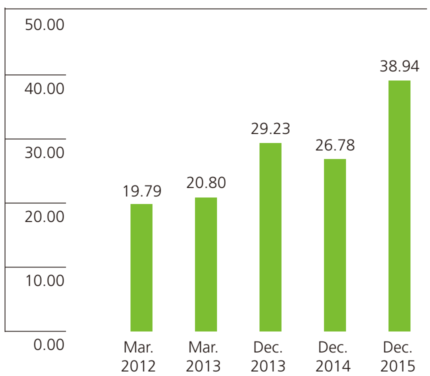
Operating Income
(Billions of yen)



Net Income
(Billions of yen)



Earnings per Share
(Yen)



This document presents consolidated results for fiscal year 2015, comprising the accounts for the year ended December 31, 2015, of DIC and its domestic and overseas subsidiaries.

Operating Results

In fiscal year 2015, moderate economic recovery persisted in North America and Europe. In Asia, the pace of growth in the PRC and Southeast Asia decelerated gradually, although a rally was seen in India. Japan's economy remained on a gentle upswing, despite the fact that production levels were flat.

In this environment, consolidated net sales edged down, to ¥820.0 billion. Operating income, at ¥51.1 billion, was up 24.3%, as results benefited from, among others, an improved operating environment and the positive impact of rationalization measures. Ordinary income increased 22.7%, to ¥49.0 billion. Net income rose 48.4%, to ¥37.4 billion.

	Billions of yen			
	FY2015	FY2014	Change (%)	Change calculated in local currency (%)
Net sales	¥820.0	¥830.1	(1.2)%	(3.3)%
Operating income	51.1	41.1	24.3	26.1
Ordinary income	49.0	39.9	22.7	—
Net income	37.4	25.2	48.4	—

	Yen	
	FY2015	FY2014
Average exchange rate (¥/US$)	¥120.85	¥106.32

Segment Results

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

Printing Inks

Japan

Although a recovery in demand was seen from the third quarter forward, sales of gravure inks declined, owing to the significant impact of inventory adjustments in the first and second quarters. A decrease in demand was one of several factors that pushed down sales of offset inks and news inks. Operating income fell, reflecting the aforementioned sales results, among others.

The Americas and Europe

While sales of packaging inks were firm, waning demand for publishing inks and news inks, among other factors, pushed down overall sales in Europe. Flagging demand for publishing inks and news inks also figured in a decline in sales in North America. In Central and South America, overall sales decreased, owing largely to the weakening of key regional currencies. For these and other reasons, sales in the Americas and Europe combined slipped. Operating income was up, reflecting the positive impact of rationalization efforts and an improvement in the operating environment.

Asia and Oceania

Sales were down in all categories in the PRC, as slowing economic growth depressed demand. Healthy sales of gravure inks and news inks underpinned an increase in sales in Southeast Asia. In Oceania, sales declined, a result of flagging sales of offset inks and news inks. Sales in India were even, despite brisk sales of gravure inks, as sales of offset inks slumped. Thanks to these and other factors, overall sales in Asia and Oceania were up. An improved product mix and rationalization efforts, among others, supported a significant gain in operating income.

		Billions of yen FY2015	Change (%)	Change calculated in local currency (%)
Japan	Net sales	**¥ 78.9**	(3.3)%	—
	Operating income	**3.3**	(12.6)	—
The Americas and Europe	Net sales	**273.1**	(3.1)	(4.7)%
	Operating income	**10.5**	6.4	26.6
Asia and Oceania	Net sales	**74.3**	5.0	(0.2)
	Operating income	**5.4**	48.7	39.7

Fine Chemicals

In pigments, sales in Japan rose, bolstered by a significant increase in sales for use in color filters and firm sales for use in printing inks. Pigment sales in the Americas and Europe were up, underpinned by a sharp increase in sales of pigments, which primarily reflected substantially higher sales of effect pigments and pigments for use in cosmetics. Sales of TFT LCs decreased, despite the start of shipments for new products, as the period coincided with the transitional phase of a product changeover. As a consequence, segment sales advanced. Owing to the aforementioned sales results and other factors, segment operating income was on a par with fiscal year 2014.

	Billions of yen FY2015	Change (%)	Change calculated in local currency (%)
Net sales	**¥145.1**	4.9%	(0.3)%
Operating income	**13.7**	(1.0)	(2.1)

Polymers

Despite firm sales of epoxy resins, attributable mainly to demand for use in electronics materials, sales in Japan declined as a result of dwindling demand for resins for coatings and polystyrene. Overseas, sales rose, with contributing factors including brisk shipments of principal products and the inclusion of results from newly consolidated subsidiaries. Thanks to these and other factors, segment sales were level. Segment operating income increased sharply, bolstered by, among others, robust sales overseas and cost improvements.

	Billions of yen FY2015	Change (%)	Change calculated in local currency (%)
Net sales	**¥188.8**	(1.1)%	(3.0)%
Operating income	**14.8**	90.3	83.4

Application Materials

Sales of jet inks were up, sustained by a higher global market share. Sales of PPS compounds edged down, despite the favorable expansion of shipments in overseas markets, owing to a temporary drop in domestic sales. Sales of industrial adhesive tapes declined, reflecting sluggish demand for products used in smartphones. Sales in other product categories fell, as demand failed to improve. For these and other reasons, segment sales decreased. Segment operating income advanced, owing to rising sales of high-value-added products and the positive impact of yen depreciation.

	Billions of yen FY2015	Change (%)	Change calculated in local currency (%)
Net sales	**¥118.8**	(3.5)%	(5.8)%
Operating income	**8.1**	14.1	10.5

Analysis of Cash Flows

Cash and cash equivalents as of December 31, 2015, totaled ¥15.1 billion, a decrease of ¥1.3 billion from the previous fiscal year-end.

Operating Activities

Net cash provided by operating activities amounted to ¥29.1 billion, down from ¥46.4 billion provided by such activities in fiscal year 2014. Income before income taxes and minority interests was ¥58.6 billion, while the adjustment for depreciation and amortization amounted to ¥32.9 billion. Income taxes paid totaled ¥10.0 billion, while working capital increased ¥26.3 billion.

Investing Activities

Net cash used in investing activities came to ¥10.0 billion, down from ¥27.4 billion used in such activities in the previous fiscal year. A total of ¥32.1 billion was applied to purchase of property, plant and equipment and purchase of intangible assets. Proceeds from sales of property, plant and equipment amounted to ¥14.7 billion, while proceeds from sales of subsidiaries and affiliates securities came to ¥6.4 billion.

Financing Activities

Net cash used in financing activities amounted to ¥24.8 billion, compared with ¥26.1 billion used in such activities in fiscal year 2014. A net total of ¥11.5 billion was applied to the repayment of interest-bearing debt, while the purchase of treasury shares led to a net increase in treasury shares of ¥5.0 billion. Cash dividends paid totaled ¥6.7 billion.

Consolidated Balance Sheet

DIC Corporation and Consolidated Subsidiaries
December 31, 2015

Assets

	Millions of yen	
	2015	2014
Current assets:		
Cash and deposits (Notes 6 and 19)	**¥ 15,363**	¥ 16,757
Notes and accounts receivable—trade (Notes 11, 19 and 20)	**221,006**	213,867
Merchandise and finished goods (Note 11)	**87,947**	91,614
Work in process (Note 11)	**9,369**	9,786
Raw materials and supplies (Note 11)	**52,245**	57,429
Deferred tax assets (Note 16)	**11,435**	10,873
Other (Note 19)	**21,947**	22,057
Allowance for doubtful accounts	**(10,654)**	(9,903)
Total current assets	**408,658**	412,480
Noncurrent assets:		
Property, plant and equipment (Notes 9, 10 and 11):		
Buildings and structures	**95,879**	96,416
Machinery, equipment and vehicles	**70,226**	72,883
Tools, furniture and fixtures	**9,605**	9,363
Land	**50,775**	53,272
Construction in progress	**6,660**	10,003
Total property, plant and equipment	**233,145**	241,937
Intangible assets:		
Goodwill	**906**	1,365
Software	**6,470**	8,610
Other	**3,880**	3,336
Total intangible assets	**11,256**	13,311
Investments and other assets:		
Investment securities (Notes 7, 8 and 19)	**37,075**	39,475
Long-term loans receivable (Notes 19 and 20)	**110**	154
Deferred tax assets (Note 16)	**38,939**	44,816
Net defined benefit asset (Note 12)	**24,885**	26,002
Other (Notes 7 and 19)	**25,186**	26,117
Allowance for doubtful accounts (Note 19)	**(397)**	(589)
Total investments and other assets	**125,798**	135,975
Total noncurrent assets	**370,199**	391,223
Total assets	**¥778,857**	¥803,703

See notes to the consolidated financial statements.

Liabilities and Net Assets

	Millions of yen	
	2015	2014
Current liabilities:		
Notes and accounts payable—trade (Note 19)	¥ 95,569	¥111,996
Short-term loans payable (Notes 11 and 19)	20,632	30,637
Current portion of long-term loans payable (Notes 11, 19 and 20)	61,630	60,093
Commercial papers (Notes 11 and 19)	4,000	—
Current portion of bonds (Notes 11, 19 and 20)	8,000	10,000
Lease obligations (Notes 11 and 19)	572	621
Income taxes payable (Notes 16 and 19)	8,347	3,252
Deferred tax liabilities (Note 16)	295	382
Provision for bonuses	6,914	6,659
Provision for loss on disaster	—	49
Provision for environmental measures	—	1,817
Other	65,321	65,986
Total current liabilities	271,280	291,492
Noncurrent liabilities:		
Bonds payable (Notes 11, 19 and 20)	20,000	8,000
Long-term loans payable (Notes 11, 19 and 20)	139,900	159,772
Lease obligations (Notes 11 and 19)	4,718	5,056
Deferred tax liabilities (Note 16)	8,555	8,924
Net defined benefit liability (Note 12)	32,833	39,380
Asset retirement obligations	1,213	1,042
Other	10,501	13,314
Total noncurrent liabilities	217,720	235,488
Total liabilities	489,000	526,980
Net assets:		
Shareholders' equity (Notes 13 and 23):		
Capital stock (Note 14)	96,557	96,557
Capital surplus	94,161	94,161
Retained earnings	137,071	108,726
Treasury shares (Note 15)	(5,911)	(896)
Total shareholders' equity	321,878	298,548
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,688	2,914
Deferred gains or losses on hedges	(73)	(178)
Foreign currency translation adjustment	(29,925)	(14,817)
Remeasurements of defined benefit plans	(33,101)	(36,718)
Total accumulated other comprehensive income	(59,411)	(48,799)
Minority interests	27,390	26,974
Total net assets	289,857	276,723
Total liabilities and net assets	¥778,857	¥803,703

Consolidated Statement of Income

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2015

	Millions of yen	
	2015	2014
Net sales	¥819,999	¥830,078
Cost of sales	635,106	657,794
Gross profit	184,893	172,284
Selling, general and administrative expenses (Note 17)	133,825	131,208
Operating income	51,068	41,076
Non-operating income:		
Interest income	1,198	1,764
Dividends income	365	353
Equity in earnings of affiliates	2,735	3,014
Foreign exchange gains	—	300
Other	2,383	3,026
Total non-operating income	6,681	8,457
Non-operating expenses:		
Interest expenses	5,485	6,784
Foreign exchange losses	567	—
Other	2,702	2,824
Total non-operating expenses	8,754	9,608
Ordinary income	48,995	39,925
Extraordinary income:		
Gain on sales of noncurrent assets	14,229	619
Gain on sales of subsidiaries and affiliates securities	2,723	4,163
Compensation income	704	—
Gain on sales of investment securities	555	—
State subsidy	255	—
Gain on bargain purchase	—	371
Total extraordinary income	18,466	5,153
Extraordinary loss:		
Severance costs	3,787	1,263
Loss on disposal of noncurrent assets	3,550	3,870
Loss on valuation of investments in capital	716	—
Impairment loss (Note 10)	674	1,051
Loss on reduction of noncurrent assets	168	—
Total extraordinary losses	8,895	6,184
Income before income taxes and minority interests	58,566	38,894
Income taxes (Note 16):		
Income taxes—current	14,351	8,562
Income taxes—deferred	4,634	4,034
Total income taxes	18,985	12,596
Income before minority interests	39,581	26,298
Minority interests in income	2,187	1,104
Net income	¥ 37,394	¥ 25,194

	Yen	
Earnings per share (Note 2):		
Basic	¥ 38.94	¥ 26.78
Diluted	—	—
Weighted-average number of common stocks during the period excluding treasury shares (in thousands)	960,304	940,740
Cash dividends per share applicable to the period (Note 2)	¥ 8.00	¥ 6.00

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2015

	Millions of yen	
	2015	2014
Income before minority interests	¥ 39,581	¥26,298
Other comprehensive income:		
Valuation difference on available-for-sale securities	845	926
Deferred gains or losses on hedges	102	260
Foreign currency translation adjustment	(14,523)	23,980
Remeasurements of defined benefit plans, net of tax	3,560	(2,237)
Share of other comprehensive income of associates accounted for using equity method	(1,309)	2,007
Total other comprehensive income (Note 22)	¥(11,325)	¥24,936
Comprehensive income	¥ 28,256	¥51,234
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	¥ 26,782	¥49,372
Comprehensive income attributable to minority interests	1,474	1,862

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2015

Millions of yen

	Shareholders' equity					
	Issued number of common stock (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2014	919,372	¥91,154	¥88,758	¥ 89,166	¥ (883)	¥268,195
Issuance of new shares	46,000	5,403	5,403			10,806
Dividends from surplus, ¥6.00 per share (Note 13)				(5,634)		(5,634)
Net income				25,194		25,194
Purchase of treasury shares—48,250 shares					(13)	(13)
Net changes of items other than shareholders' equity (Notes 8 and 13)						
Balance at December 31, 2014	965,372	96,557	94,161	108,726	(896)	298,548
Cumulative effects of changes in accounting policies				**(2,316)**		**(2,316)**
Restated balance	**965,372**	**96,557**	**94,161**	**106,410**	**(896)**	**296,232**
Dividends from surplus, ¥7.00 per share (Note 13)				**(6,733)**		**(6,733)**
Net income				**37,394**		**37,394**
Purchase of treasury shares—13,849,737 shares					**(5,015)**	**(5,015)**
Net changes of items other than shareholders' equity (Notes 8 and 13)						
Balance at December 31, 2015	**965,372**	**¥96,557**	**¥94,161**	**¥137,071**	**¥(5,911)**	**¥321,878**

Millions of yen

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at January 1, 2014	¥1,945	¥(438)	¥(40,037)	¥(34,447)	¥(72,977)	¥23,729	¥218,947
Issuance of new shares							10,806
Dividends from surplus, ¥6.00 per share (Note 13)							(5,634)
Net income							25,194
Purchase of treasury shares—48,250 shares							(13)
Net changes of items other than shareholders' equity (Notes 8 and 13)	969	260	25,220	(2,271)	24,178	3,245	27,423
Balance at December 31, 2014	2,914	(178)	(14,817)	(36,718)	(48,799)	26,974	276,723
Cumulative effects of changes in accounting policies						**(99)**	**(2,415)**
Restated balance	**2,914**	**(178)**	**(14,817)**	**(36,718)**	**(48,799)**	**26,875**	**274,308**
Dividends from surplus, ¥7.00 per share (Note 13)							**(6,733)**
Net income							**37,394**
Purchase of treasury shares—13,849,737 shares							**(5,015)**
Net changes of items other than shareholders' equity (Notes 8 and 13)	**774**	**105**	**(15,108)**	**3,617**	**(10,612)**	**515**	**(10,097)**
Balance at December 31, 2015	**¥3,688**	**¥ (73)**	**¥(29,925)**	**¥(33,101)**	**¥(59,411)**	**¥27,390**	**¥289,857**

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2015

	Millions of yen	
	2015	2014
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥ 58,566	¥ 38,894
Adjustments for:		
Depreciation and amortization	32,886	33,822
Amortization of goodwill	477	407
Increase (decrease) in allowance for doubtful accounts	583	(2,354)
Increase (decrease) in provision for bonuses	383	2,606
Interest and dividends income	(1,563)	(2,117)
Equity in (earnings) losses of affiliates	(2,735)	(3,014)
Interest expenses	5,485	6,784
Loss (gain) on sales and retirement of noncurrent assets	(10,679)	3,251
Impairment loss	674	1,051
Loss (gain) on sales of subsidiaries and affiliates securities	(2,723)	(4,163)
Loss (gain) on sales of investment securities	(555)	—
Loss on valuation of investments in capital	716	—
State subsidy	(255)	—
Decrease (increase) in notes and accounts receivable—trade	(15,878)	9,560
Decrease (increase) in inventories	1,940	(1,593)
Increase (decrease) in notes and accounts payable—trade	(12,383)	(8,972)
Other, net	(12,844)	(9,985)
Subtotal	42,095	64,177
Interest and dividends income received	2,731	3,489
Interest expenses paid	(5,724)	(7,123)
Income taxes paid	(9,989)	(14,167)
Net cash provided by (used in) operating activities	29,113	46,376
Net cash provided by (used in) investing activities:		
Payments into time deposits	(3,297)	(1,496)
Proceeds from withdrawal of time deposits	3,387	1,744
Purchase of property, plant and equipment	(31,247)	(31,826)
Proceeds from sales of property, plant and equipment	14,670	1,481
Purchase of intangible assets	(841)	(1,760)
Proceeds from sales of intangible assets	—	29
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,873)	(3,242)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	554
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	2,100	45
Purchase of subsidiaries and affiliates securities	(49)	—
Proceeds from sales of subsidiaries and affiliates securities	6,356	5,772
Purchase of investment securities	(48)	(46)
Proceeds from sales and redemption of investment securities	642	661
Proceeds from subsidy income	209	—
Other, net	18	732
Net cash provided by (used in) investing activities	(9,973)	(27,352)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(8,847)	(7,781)
Increase (decrease) in commercial papers	4,000	—
Proceeds from long-term loans payable	62,440	44,204
Repayment of long-term loans payable	(79,137)	(51,012)
Proceeds from issuance of bonds	20,000	—
Redemption of bonds	(10,000)	(15,000)
Proceeds from issuance of common stock	—	10,806
Cash dividends paid	(6,733)	(5,634)
Cash dividends paid to minority shareholders	(987)	(1,142)
Net decrease (increase) in treasury shares	(5,015)	(13)
Other, net	(522)	(484)
Net cash provided by (used in) financing activities	(24,801)	(26,056)
Effect of exchange rate change on cash and cash equivalents	4,381	8,421
Net increase (decrease) in cash and cash equivalents	(1,280)	1,389
Cash and cash equivalents at beginning of period (Note 6)	16,393	15,004
Cash and cash equivalents at end of period (Note 6)	¥ 15,113	¥ 16,393

See notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2015

Note 1:

Basis of Presenting Financial Statements

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

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

Note 2:

Summary of Significant Accounting Policies

Consolidated financial statements

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

The consolidated financial statements include the accounts of the Company and its significant subsidiaries: Sun Chemical Group Coöperatief U.A., DIC (China) Co., Ltd., DIC Asia Pacific Pte Ltd, SEIKO PMC CORPORATION, DIC Investments Japan, LLC., DIC Graphics Corporation and 146 other companies in the fiscal year ended December 31, 2015 (147 other companies in the fiscal year ended December 31, 2014). All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Company and its consolidated subsidiaries (the "Group") is eliminated.

Investments in 22 affiliates in the fiscal year ended December 31, 2015 (23 in the fiscal year ended December 31, 2014) are accounted for by the equity method.

Accounting period of consolidated subsidiaries

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

Cash and cash equivalents

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

Investment securities

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

Allowance for doubtful accounts

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

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

Inventories

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

Property, plant and equipment

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

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

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

Intangible assets

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

Leased assets

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

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

Retirement and pension plans

The Company and its domestic consolidated subsidiaries account for Net defined benefit asset/liability for employees' and executive officers' retirement benefits. Pension assets are deducted from retirement benefit obligations and the net amount is recognized based on the estimated amount of payment as of the balance sheet date. In calculating retirement benefit obligations, the Company applies a method of attributing expected retirement benefits to each period on a benefit formula basis. The Company and its domestic consolidated subsidiaries amortize actuarial gain and loss in the succeeding years primarily by the straight-line method over stated years that do not exceed the average remaining service period of the eligible employees (15 to 16 years). Past service costs are amortized in the accounting periods when they accrue.

Foreign consolidated subsidiaries are accounted for in accordance with either U.S. GAAP or IFRS. Actuarial gains and losses are amortized in the succeeding year primarily by the straight-line method over stated years that do not exceed the average remaining service period of the eligible employees (11 to 28 years). Past service costs are amortized over 5 to 27 years.

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

Asset retirement obligations

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

Income taxes

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

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

Research and development costs

Research and development costs are charged to income as incurred.

Basis of translation of financial statements of foreign consolidated subsidiaries

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

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

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

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

Translation of foreign currency accounts

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

Derivatives and hedging activities

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

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

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

Per share information

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

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

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

Note 3: Accounting Changes

Retirement benefits and related matters

The provisions of Article 35 of Accounting Standards Board of Japan (ASBJ) Statement No. 26, "Accounting Standard for Retirement Benefits," issued on May 17, 2012 and the provisions of Article 67 of ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," issued on March 26, 2015 are applied from the beginning of the fiscal year ended December 31, 2015. The calculation method for the present value of retirement benefit obligations and current service costs has been revised. The method of attributing projected retirement benefit obligations to each period has been changed from a straight-line basis to a benefit formula basis. The method of determining the discount rate used in calculation has been changed from one where the number of years approximately equal to the average remaining service period of employees is used as the basis for determining the discount rate to one using a single weighted-average discount rate which reflects each forecasted period of payment of retirement benefit obligations and the amount of payment forecasted for each period.

In accordance with transitional accounting treatment as stipulated in Article 37 of ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," the effect of the changes in calculation methods of retirement benefit obligations and service cost arising from initial application is reflected in retained earnings at the beginning of the fiscal year ended December 31, 2015.

As a result, net defined benefit liability increased by ¥404 million, net defined benefit asset and retained earnings decreased by ¥3,346 million and ¥2,316 million as of the beginning of the fiscal year ended December 31, 2015. In addition, the effect on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended December 31, 2015 is immaterial.

Note 4:

Changes in Presentation (Consolidated Balance Sheet)

"Accounts payable–other" of current liabilities, which had previously been separately presented, is included in "Other" from the fiscal year ended December 31, 2015, because its materiality is decreased, and prior period financial statements have been reclassified in accordance with the new presentation.

The balance which is included in "Other" as of December 31, 2014 is ¥38,356 million.

Note 5:

New Accounting Pronouncement

Accounting Standards for Business Combinations and Consolidated Financial Statements

On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements," revised ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," revised ASBJ Statement No. 2, "Accounting Standard for Earnings Per Share," revised ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," and revised ASBJ Guidance No. 4, "Guidance on Accounting Standard for Earnings Per Share."

(1) Overview

The accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting method for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "minority interests" was changed to "non-controlling interests" and the determination of transitional provisions for accounting treatments was also revised.

(2) Date of adoption

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

The determination of transitional provisions for accounting treatments will be effective from business combinations performed on or after the beginning of the fiscal year ending December 31, 2016.

(3) Impact of the adoption of the accounting standards

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

Implementation Guidance on Recoverability of Deferred Tax Assets

On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets."

(1) Overview

The implementation guidance basically continues to apply the framework used in the Japanese Institute of Certified Public Accountants Guidance No. 66, where recoverability of deferred tax assets is assessed based on entities' categories, but certain accounting treatments were changed. The implementation guidance includes the following:

(i) accounting treatments for entities which are not included in any Categories,
(ii) criteria as to the classification of entities in Category 2 and Category 3,
(iii) accounting treatments of unscheduled deductible temporary differences for entities in Category 2,
(iv) accounting treatments for deductible temporary differences for entities in Category 3, which are scheduled to be deductible after five years, and

(v) accounting treatments for entities in Category 4 in the current fiscal year, which are expected to be included in Category 2 or Category 3 in the following year.

(2) Date of adoption

The Company and its domestic consolidated subsidiaries will adopt the revised implementation guidance from the beginning of the fiscal year ending December 31, 2017.

(3) Impact of the adoption of the implementation guidance

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

Note 6:

Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2015 and 2014 include the following:

	Millions of yen	
	2015	2014
Cash and deposits	**¥15,363**	¥16,757
Less: time deposits and short-term investments which mature over three months after the date of acquisition	**(250)**	(364)
Cash and cash equivalents	**¥15,113**	¥16,393

Note 7:

Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates as of December 31, 2015 and 2014 include the following:

	Millions of yen	
	2015	2014
Investments in stock of unconsolidated subsidiaries and affiliates	**¥20,590**	¥24,022
Investments in equity of unconsolidated subsidiaries and affiliates	**1,465**	2,252
Total	**¥22,055**	¥26,274

Note 8:

Investment Securities

The carrying amounts and aggregate fair values of available-for-sale securities at December 31, 2015 and 2014 are as follows:

	Millions of yen			
				2015
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale securities:				
Stocks	**¥8,333**	**¥5,588**	**¥(73)**	**¥13,848**
Total	**¥8,333**	**¥5,588**	**¥(73)**	**¥13,848**

	Millions of yen			
				2014
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale securities:				
Stocks	¥8,327	¥4,711	¥(222)	¥12,816
Total	¥8,327	¥4,711	¥(222)	¥12,816

Note 9:

Property, Plant and Equipment

Accumulated depreciation on property, plant and equipment as of December 31, 2015 and 2014 is ¥554,121 million and ¥557,561 million, respectively.

Note 10:

Impairment of Long-Lived Assets

Impairment losses on long-lived assets for the fiscal years ended December 31, 2015 and 2014 for each asset group are as follows:

			Millions of yen
			2015
Used status	Category of assets	Location	Allocated impairment loss
Factory assets in use	Machineries, software and other	Australia	**¥635**
Goodwill	Goodwill	Australia	**39**
Total			**¥674**

The carrying amount of the factory assets was reduced to its recoverable amount because the recoverable amount is less than the carrying amount. All of the carrying amount of goodwill was also reduced because it became unlikely that the revenue originally expected will be earned.

The recoverable amount of the factory assets and goodwill was measured at its value in use and the value was estimated at zero.

			Millions of yen
			2014
Used status	Category of assets	Location	Allocated impairment loss
Factory assets in use	Machineries, buildings and other	China	¥ 706
Factory assets in use	Buildings, machineries and other	Shiga, Japan and other	176
Goodwill	Goodwill	Singapore and other	169
Total			¥1,051

The carrying amount of the factory assets was reduced to its recoverable amount because the recoverable amount is less than the carrying amount. All of the carrying amount of goodwill was also reduced because it became unlikely that the revenue originally expected will be earned.

The recoverable amount of the factory assets and goodwill was measured at its value in use and the value was estimated at zero.

Note 11:

Short-Term Loans Payable and Long-Term Loans Payable

Information with respect to short-term loans payable at December 31, 2015 and 2014 is as follows:

The average interest rate for the fiscal years ended December 31, 2015 and 2014 is 3.07% and 1.93%, respectively, for short-term loans payable, and 0.16% and 0.09%, respectively, for commercial papers.

Bonds payable, long-term loans payable and lease obligations at December 31, 2015 and 2014 comprise the following:

	Millions of yen	
	2015	2014
0.908% Japanese yen notes due 2016	**¥ 3,000**	¥ 3,000
0.81% Japanese yen notes due 2016	**5,000**	5,000
0.53% Japanese yen notes due 2022	**10,000**	—
1.00% Japanese yen notes due 2025	**10,000**	—
3.168% Japanese yen notes due 2070	**—**	10,000
Loans due 2017–2024, with an average interest rate of 1.06%	**201,530**	219,865
Lease obligations	**5,290**	5,677
Subtotal	**234,820**	243,542
Less: current portion of long-term loans payable	**(61,630)**	(60,093)
Less: current portion of bonds	**(8,000)**	(10,000)
Less: lease obligations—current	**(572)**	(621)
Total	**¥164,618**	¥172,828

The annual maturities of bonds payable, long-term loans payable and lease obligations for the fiscal years subsequent to December 31, 2015 are as follows:

	Millions of yen
2016	¥ 70,202
2017	44,572
2018	28,576
2019	38,692
2020	20,020
Thereafter	32,758
Total	¥234,820

The amounts of assets pledged as collateral and secured borrowings and loans at December 31, 2015 comprise the following:

	Millions of yen
Assets pledged as collateral:	
Notes and accounts receivable—trade	¥3,831
Inventories	1,590
Property, plant and equipment	1,009
Total	¥6,430
Secured borrowings and loans:	
Short-term loans payable	¥ 45
Current portion of long-term loans payable	1,319
Total	¥1,364

Note 12:

Retirement and Pension Plans

(1) Overview of adopted retirement and pension plans

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

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

Changes in defined benefit obligations

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2015	¥95,395	¥166,449
Cumulative effects of changes in accounting policies	3,733	—
Restated balance	99,128	166,449
Service cost	2,276	816
Interest cost	782	5,820
Actuarial gains and losses	1,236	(9,389)
Benefits paid	(5,464)	(5,786)
Past service cost	—	29
Exchange translation differences	—	(5,669)
Other	—	32
As of December 31, 2015	¥97,958	¥152,302

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2014	¥100,221	¥135,912
Service cost	2,010	476
Interest cost	1,781	6,057
Actuarial gains and losses	10,204	14,946
Benefits paid	(5,295)	(5,043)
Past service cost	—	42
Exchange translation differences	—	14,131
Decrease in relation to the shift of pension plans to defined contribution pension plans	(13,526)	—
Other	—	(72)
As of December 31, 2014	¥ 95,395	¥166,449

Changes in plan assets

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2015	**¥119,289**	**¥129,177**
Cumulative effects of changes in accounting policies	**(17)**	**—**
Restated balance	**119,272**	**129,177**
Expected return on plan assets	**2,978**	**7,405**
Actuarial gains and losses	**(805)**	**(8,070)**
Contributions by the employer	**4,368**	**3,138**
Benefits paid	**(5,383)**	**(5,617)**
Exchange translation differences	**—**	**(4,176)**
Other	**—**	**25**
As of December 31, 2015	**¥120,430**	**¥121,882**

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2014	¥114,860	¥104,265
Expected return on plan assets	2,829	6,678
Actuarial gains and losses	11,787	9,088
Contributions by the employer	5,896	2,209
Benefits paid	(5,235)	(4,903)
Exchange translation differences	—	11,641
Contributions in relation to the shift of pension plans to defined contribution pension plans	(10,848)	—
Other	—	199
As of December 31, 2014	¥119,289	¥129,177

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

	Millions of yen	
	2015	
	Domestic plans	Foreign plans
Funded defined benefit obligations	¥ 96,839	¥ 151,839
Plan assets	(120,430)	(121,882)
Subtotal	(23,591)	29,957
Unfunded defined benefit obligations	1,119	463
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (22,472)	¥ 30,420
Liabilities (net defined benefit liability)	¥ 2,303	¥ 30,530
Assets (net defined benefit asset)	(24,775)	(110)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (22,472)	¥ 30,420

	Millions of yen	
	2014	
	Domestic plans	Foreign plans
Funded defined benefit obligations	¥ 94,417	¥ 165,967
Plan assets	(119,289)	(129,177)
Subtotal	(24,872)	36,790
Unfunded defined benefit obligations	978	482
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (23,894)	¥ 37,272
Liabilities (net defined benefit liability)	¥ 2,069	¥ 37,311
Assets (net defined benefit asset)	(25,963)	(39)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (23,894)	¥ 37,272

Retirement benefit expenses and its breakdowns

	Millions of yen	
	2015	
	Domestic plans	Foreign plans
Service cost	¥ 2,276	¥ 816
Interest cost	782	5,820
Expected return on plan assets	(2,978)	(7,405)
Recognition of actuarial gains and losses	1,488	1,759
Amortization of past service cost	—	29
Total	¥ 1,568	¥ 1,019

	Millions of yen	
	2014	
	Domestic plans	Foreign plans
Service cost	¥ 2,010	¥ 476
Interest cost	1,781	6,057
Expected return on plan assets	(2,829)	(6,678)
Recognition of actuarial gains and losses	2,101	1,495
Amortization of past service cost	—	42
Total	¥ 3,063	¥ 1,392

Note: The effect in relation to the shift of pension plans to defined contribution pension plans is immaterial.

Past service cost and actuarial gains and losses

The past service cost and actuarial gains and losses recognized in accumulated other comprehensive income as remeasurements of defined benefit plans (amount before income tax effect) for the fiscal year ended December 31, 2015 are as follows:

	Millions of yen	
	2015	
	Domestic plans	Foreign plans
Past service cost	¥ —	¥ 15
Actuarial gains and losses	(705)	5,130
Total	¥(705)	¥5,145

Unrecognized past service cost and unrecognized actuarial gains and losses

The unrecognized past service cost and unrecognized actuarial gains and losses recognized in accumulated other comprehensive income as remeasurements of defined benefit plans (amount before income tax effect) for the fiscal years ended December 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	
	Domestic plans	Foreign plans
Unrecognized past service cost	¥ —	¥ 111
Unrecognized actuarial gains and losses	3,756	(53,720)
Total	¥3,756	¥(53,609)

	Millions of yen	
	2014	
	Domestic plans	Foreign plans
Unrecognized past service cost	¥ —	¥ 96
Unrecognized actuarial gains and losses	4,461	(58,848)
Total	¥4,461	¥(58,752)

Major breakdown of plan assets

	2015	
	Domestic plans	Foreign plans
Equity securities	52.5%	26.7%
Debt securities	19.1%	56.2%
Other	28.4%	17.1%
Total	100.0%	100.0%

Note: 28.1% of the assets of the domestic plans are available-for-sale securities contributed to the employee retirement benefit trust.

	2014	
	Domestic plans	Foreign plans
Equity securities	55.0%	42.4%
Debt securities	18.6%	44.4%
Other	26.4%	13.2%
Total	100.0%	100.0%

Note: 27.6% of the assets of the domestic plans are available-for-sale securities contributed to the employee retirement benefit trust.

Actuarial assumptions

	2015	
	Domestic plans	Foreign plans
Discount rate	0.8%	1.5%–4.5%
Expected return rate on plan assets	3.0%	5.5%–6.8%
Expected rate of increase in salary	3.3%	1.9%–3.5%

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

	2014	
	Domestic plans	Foreign plans
Discount rate	1.1%	1.5%–4.1%
Expected return rate on plan assets	3.0%	2.2%–7.2%
Expected rate of increase in salary	3.3%	3.2%–3.5%

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

(3) Defined contribution pension plans

The required contributions borne by the Company and a number of consolidated subsidiaries in relation to the defined contribution pension plans were ¥2,151 million.

Note 13:

Net Assets

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

(1) Dividends

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

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

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

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

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

(3) Treasury shares and treasury stock acquisition rights

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

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

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

Note 14:

Capital Stock

The number of authorized common stocks as of December 31, 2015 and 2014 is 1,500,000,000 shares. The Company issued 40,000,000 shares on June 17, 2014 by way of public offering, and 6,000,000 shares on June 27, 2014 by way of third-party allotment. Consequently, the number of common stocks issued as of December 31, 2015 and 2014 is 965,372,048 shares.

Note 15:

Treasury Shares

Treasury shares as of December 31, 2015 and 2014 amounted to 17,294,751 shares and 3,445,014 shares, respectively. The Company resolved to retire its treasury shares as follows at the meeting of the board of directors as of November 13, 2015 pursuant to Article 178 of the Companies Act, but it has not been finished as of the balance sheet date. The number of treasury shares to be retired is 13,803,000. The book value of these shares is ¥4,717 million.

Note 16:

Income Taxes

The differences between the normal effective statutory tax rate in Japan and the actual effective tax rate for the fiscal years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Normal effective statutory tax rate in Japan	35.6%	36.2%
Adjustments:		
Valuation allowance change	1.5%	1.2%
Tax rate differences	(4.8)%	(5.9)%
Equity in earnings of affiliates	(1.7)%	(2.8)%
Entertainment and other non-deductible expenses	2.3%	2.3%
Elimination of intercompany dividends income	5.4%	7.6%
Dividends income and other non-taxable income	(6.5)%	(6.2)%
State, provincial, municipal and local taxes	0.5%	1.2%
Tax credit for research and development and others	(3.8)%	(2.3)%
Adoption of FIN48	(0.9)%	(0.8)%
Tax credit for the Special Tax Law for the March 11 Earthquake	(0.4)%	(0.5)%
Other	5.2%	2.4%
Actual effective tax rate	32.4%	32.4%

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities, as of December 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Deferred tax assets:		
Inventories	¥ 4,472	¥ 4,476
Property, plant and equipment	3,540	4,302
Allowance for doubtful accounts	1,821	1,683
Net defined benefit liability	9,783	11,484
Restructuring and divestitures	441	215
Unrealized gain	985	1,466
Net operating loss carryforwards	24,493	25,442
Other	29,115	33,173
Subtotal	74,650	82,241
Less: valuation allowance	(16,639)	(17,796)
Total	58,011	64,445
Deferred tax liabilities:		
Deferred income taxes related to gains from property, plant and equipment	(3,392)	(3,906)
Property, plant and equipment	(4,653)	(5,037)
Contribution of securities to employee retirement benefit trust	(1,786)	(1,966)
Other	(6,656)	(7,153)
Total	(16,487)	(18,062)
Net deferred tax assets	¥ 41,524	¥ 46,383

Influence from changes in corporation tax rate

As a result of the "Act for Partial Amendment of the Income Tax Act" (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act" (Act No. 2 of 2015) issued on March 31, 2015, the normal effective statutory tax rate used to calculate deferred tax assets or liabilities changed from 35.6% to 33.1% for those temporary differences expected in fiscal year 2016, and to 32.3% for those temporary differences expected after fiscal year 2017.

Consequently, deferred tax assets decreased by ¥912 million and deferred tax liabilities decreased by ¥964 million. Additionally, income taxes–deferred (credit) recognized in the fiscal year ended December 31, 2015 increased by ¥114 million, valuation difference on available-for-sale securities (credit) increased by ¥175 million and deferred gains or losses on hedges (debit) increased by ¥237 million.

Note 17:

Research and Development Costs

Research and development costs charged to income for the fiscal years ended December 31, 2015 and 2014 are ¥12,163 million and ¥10,945 million, respectively.

Note 18:

Leases

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

As described in Note 2 "Summary of Significant Accounting Policies," leased assets related to finance leases that do not transfer ownership of the leased property to the lessee are depreciated on a straight-line basis, with the lease periods used as their useful lives and no residual value. The accounting treatment for finance leases that do not transfer ownership of the leased property to the lessee which took place before March 31, 2008 continues to be accounted for as operating leases under the accounting standard in Japan. Lease payments under the above leases for the fiscal years ended December 31, 2015 and 2014 are ¥4 million and ¥63 million, respectively.

Pro forma information for such finance leases for the fiscal years ended December 31, 2015 and 2014 is as follows:

	Millions of yen	
	2015	2014
Depreciation expense	¥4	¥55
Interest expense	—	5

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

(2) Operating leases

Future minimum rental payments under noncancellable operating leases at December 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Due within one year	¥2,645	¥ 2,699
Due after one year	6,821	8,371
Total	¥9,466	¥11,070

Note 19: Financial Instruments

Group policy for financial instruments

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

Nature and extent of risks arising from financial instruments

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

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

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

Risk management for financial instruments

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

Fair value of financial instruments

The following tables present the carrying amounts and the fair value of financial instruments at December 31, 2015 and 2014. Financial instruments whose fair value is not reliably measured are excluded from the tables below.

	Millions of yen		
	2015		
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	¥ 15,363	¥ 15,363	¥ —
Notes and accounts receivable—trade	221,006	221,006	—
Investment securities			
Stocks of subsidiaries and affiliates	1,899	4,880	2,981
Other	13,848	13,848	—
Long-term loans receivable	110		
Allowance for doubtful accounts (Note 1)	(63)		
	47	47	—
Total	¥252,163	¥255,144	¥2,981
Liabilities:			
Notes and accounts payable—trade	¥ 95,569	¥ 95,569	¥ —
Short-term loans payable	20,632	20,632	—
Current portion of long-term loans payable	61,630	61,896	266
Commercial papers	4,000	4,000	—
Current portion of bonds	8,000	8,041	41
Lease obligations (current)	572	572	—
Income taxes payable	8,347	8,347	—
Bonds payable	20,000	20,127	127
Long-term loans payable	139,900	140,412	512
Lease obligations (noncurrent)	4,718	5,058	340
Total	¥363,368	¥364,654	¥1,286
Derivative financial instruments: (Note 2)			
Hedge accounting—not applied	¥ 593	¥ 593	¥ —
Hedge accounting—applied	(89)	(89)	—
Total	¥ 504	¥ 504	¥ —

	Millions of yen		
	2014		
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	¥ 16,757	¥ 16,757	¥ —
Notes and accounts receivable—trade	213,867	213,867	—
Investment securities			
Stocks of subsidiaries and affiliates	5,635	11,944	6,309
Other	12,816	12,816	—
Long-term loans receivable	154		
Allowance for doubtful accounts (Note 1)	(76)		
	78	78	—
Total	¥249,153	¥255,462	¥6,309

Liabilities:			
Notes and accounts payable—trade	¥111,996	¥111,996	¥ —
Short-term loans payable	30,637	30,637	—
Current portion of long-term loans payable	60,093	60,190	97
Current portion of bonds	10,000	10,029	29
Lease obligations (current)	621	621	—
Income taxes payable	3,252	3,252	—
Bonds payable	8,000	8,078	78
Long-term loans payable	159,772	159,881	109
Lease obligations (noncurrent)	5,056	5,400	344
Total	¥389,427	¥390,084	¥ 657

Derivative financial instruments: (Note 2)			
Hedge accounting—not applied	¥ 561	¥ 561	¥ —
Hedge accounting—applied	(357)	(357)	—
Total	¥ 204	¥ 204	¥ —

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

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

Assets

Cash and deposits and notes and accounts receivable–trade

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

Investment securities

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

Long-term loans receivable

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

Liabilities

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

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

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

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

On the other hand, the fair value of long-term loans payable for which a fixed interest rate is applied is determined by discounting the cash flows related to the long-term loans payable. The discount rate applied for the calculation above is the interest rate that may be currently available to the Group for loans payable with similar terms and conditions.

Current portion of bonds and bonds payable

As for bonds payable which has observable market prices, the fair value is measured using the quoted market prices. For those with no market prices that are subject to special treatment of interest rate swaps, the fair value is based on the present value by totaling the amount of principal and interest, together with related interest rate swaps, discounted by the interest rate that would apply if equivalent bonds were newly issued.

Lease obligations (current) and lease obligations (noncurrent)

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

Derivative financial instruments

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

Financial instruments whose fair value is not reliably measured

There are no market prices for non-listed stocks and others (carrying amounts as of December 31, 2015 and 2014 are ¥21,328 million and ¥21,024 million, respectively) whose future cash flows cannot be estimated. The fair value of such non-listed stocks and others is not reliably determinable and thus is excluded from investment securities.

Redemption schedule for financial assets and securities

The redemption schedules for financial assets and securities with contractual maturities as of December 31, 2015 and 2014 are summarized as follows:

	Millions of yen			
	2015			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Notes and accounts receivable—trade	**¥221,006**	**¥ —**	**¥—**	**¥—**
Long-term loans receivable	**—**	**85**	**19**	**6**
Total	**¥221,006**	**¥85**	**¥19**	**¥ 6**

	Millions of yen			
	2014			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Notes and accounts receivable—trade	¥213,867	¥ —	¥—	¥—
Long-term loans receivable	—	112	42	—
Total	¥213,867	¥112	¥42	¥—

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

The repayment schedules for bonds payable, long-term loans payable and other interest-bearing debt with contractual maturities as of December 31, 2015 and 2014 are summarized as follows:

	Millions of yen			
	2015			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Short-term loans payable	¥20,632	¥ —	¥ —	¥ —
Current portion of long-term loans payable	61,630	—	—	—
Commercial papers	4,000	—	—	—
Current portion of bonds	8,000	—	—	—
Lease obligations (current)	572	—	—	—
Bonds payable	—	—	20,000	—
Long-term loans payable	—	129,877	10,023	—
Lease obligations (noncurrent)	—	1,983	2,271	464
Total	¥94,834	¥131,860	¥32,294	¥464

	Millions of yen			
	2014			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Short-term loans payable	¥ 30,637	¥ —	¥ —	¥ —
Current portion of long-term loans payable	60,093	—	—	—
Current portion of bonds	10,000	—	—	—
Lease obligations (current)	621	—	—	—
Bonds payable	—	8,000	—	—
Long-term loans payable	—	142,235	17,537	—
Lease obligations (noncurrent)	—	1,887	1,811	1,358
Total	¥101,351	¥152,122	¥19,348	¥1,358

Note 20: Derivative Financial Instruments

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

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

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

Because these transactions are executed with creditworthy financial institutions, the Group does not anticipate the likelihood of any losses resulting from default by the counterparties to these agreements.

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

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

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

Derivative transactions to which hedge accounting is not applied at December 31, 2015 and 2014

(1) Currency related

	Millions of yen			
	2015			
	Contract/notional amount	Contract/notional amount due after one year	Fair value	Unrealized gain/loss
Currency swaps: (Note 1)				
(Payment in H.K.$ and receipt in U.S.$)	¥ 882	¥882	¥(73)	¥ (36)
(Payment in Korean won and receipt in Japanese yen)	827	—	(4)	(4)
Other				
Currency options: (Note 1)				
Selling				
Euro	526	—	(2)	2
Buying				
U.S.$	12,476	—	374	376
Euro	2,546	—	44	44
Foreign currency forward contracts: (Note 2)				
Selling				
Russian ruble	3,579	—	104	(104)
Canadian $	1,588	—	8	(8)
Other	1,596	—	(78)	78
Buying				
U.S.$	5,389	—	170	171
Euro	1,268	—	50	50
Total	¥30,677	¥882	¥593	¥ 569

	Millions of yen			
	2014			
	Contract/notional amount	Contract/notional amount due after one year	Fair value	Unrealized gain/loss
Currency swaps: (Note 1)				
(Payment in H.K.$ and receipt in U.S.$)	¥ 878	¥878	¥ (37)	¥ (37)
(Payment in Korean won and receipt in Japanese yen)	654	—	(2)	(2)
Other	247	—	(1)	(1)
Currency options: (Note 1)				
Selling				
Euro	10,178	—	464	(412)
Buying				
Euro	8,687	—	193	171
U.S.$	1,516	—	57	50
Foreign currency forward contracts: (Note 2)				
Selling				
Canadian $	1,760	—	(5)	5
Russian ruble	2,943	—	(138)	123
Other	2,242	—	29	49
Buying				
Euro	617	—	30	27
U.S.$	2,993	—	9	8
Other	23	—	1	1
Total	¥32,738	¥878	¥ 600	¥ (18)

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

(2) Interest related

There is no interest-related derivative transaction to which hedge accounting is not applied at December 31, 2015.

	Millions of yen			
	2014			
	Contract/notional amount	Contract/notional amount due after one year	Fair value	Unrealized gain/loss
Interest rate swaps: (Note)				
(Fixed rate payment, floating rate receipt)	¥10,000	¥—	¥(39)	¥(39)
Total	¥10,000	¥—	¥(39)	¥(39)

Note: The fair value of interest rate swaps is measured using the quoted price obtained from financial institutions.

Derivative transactions to which hedge accounting is applied at December 31, 2015 and 2014
(1) Currency related

		Millions of yen		
		2015		
	Hedged item	Contract/notional amount	Contract/notional amount due after one year	Fair value
Currency swaps: (Note 1)				
(Payment in Australia $ and receipt in Singapore $)	Loans receivable	¥ 510	¥ —	¥ 10
(Payment in New Zealand $ and receipt in Singapore $)	Loans receivable	276	—	(14)
Foreign currency forward contracts: (Note 1)				
Selling				
Euro	Forecast transaction	217	—	(1)
U.S.$	Forecast transaction	58	—	2
Buying				
U.S.$	Accounts payable—trade	270	—	(3)
Chinese yuan	Accounts payable—trade	1	—	0
Foreign currency forward contracts: (Notes 1 and 2)				
Selling				
U.S.$	Accounts receivable—trade	4,397	—	
Euro	Accounts receivable—trade	355	—	
Buying				
Chinese yuan	Loans payable	3,203	—	
Currency swaps: (Notes 1 and 2)				
(Payment in Japanese yen and receipt in U.S.$)	Loans payable	11,847	11,847	
Total		¥21,134	¥11,847	¥ (6)

	Hedged item	Contract/notional amount	Contract/notional amount due after one year	Fair value
				Millions of yen
				2014
Currency swaps: (Note 1)				
(Payment in Australia $ and receipt in Singapore $)	Loans receivable	¥ 643	¥ 193	¥80
(Payment in New Zealand $ and receipt in Singapore $)	Loans receivable	324	—	(5)
Foreign currency forward contracts: (Note 1)				
Selling				
Euro	Forecast transaction	288	—	(4)
Buying				
U.S.$	Accounts payable—trade	283	—	7
Chinese yuan	Accounts payable—trade	1,409	—	12
H.K.$	Accounts payable—trade	491	—	6
Foreign currency forward contracts: (Notes 1 and 2)				
Selling				
U.S.$	Accounts receivable—trade	3,191	—	
Euro	Accounts receivable—trade	432	—	
Buying				
Chinese yuan	Accounts payable—trade	124	—	
Currency swaps: (Notes 1 and 2)				
(Payment in Japanese yen and receipt in U.S.$)	Loans payable	11,847	11,847	
Total		¥19,032	¥12,040	¥96

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

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

(2) Interest related

	Hedged item	Contract/notional amount	Contract/notional amount due after one year	Fair value
				Millions of yen
				2015
Interest rate swaps: (Note 1) (Fixed rate payment, floating rate receipt)	Loans payable	**¥ 341**	**¥ —**	**¥ (6)**
Interest rate options: (Note 2) Buying	Loans payable	**6,538**	**—**	**(32)**
Interest rate swaps: (Note 3)	Bonds payable, loans payable			
(Fixed rate payment, floating rate receipt)		**50,582**	**35,541**	
(Floating rate payment, floating rate receipt)		**6,000**	**5,000**	
Total		**¥63,461**	**¥40,541**	**¥(38)**

	Hedged item	Contract/notional amount (Millions of yen, 2014)	Contract/notional amount due after one year	Fair value
Interest rate swaps: (Note 1) (Fixed rate payment, floating rate receipt)	Bonds payable, loans payable	¥ 10,754	¥ 754	¥(118)
Interest rate options: (Note 2) Buying	Loans payable	18,410	7,246	(246)
Interest rate swaps: (Note 3) (Fixed rate payment, floating rate receipt)	Bonds payable, loans payable	65,046	31,946	
(Floating rate payment, floating rate receipt)		6,000	6,000	
Total		¥100,210	¥45,946	¥(364)

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

(3) Commodity related

	Hedged item	Contract/notional amount (Millions of yen, 2015)	Contract/notional amount due after one year	Fair value
Commodity swaps: (Note) (Fixed price payment, floating price receipt)	Fuel	**¥104**	**¥—**	**¥(45)**
Total		**¥104**	**¥—**	**¥(45)**

	Hedged item	Contract/notional amount (Millions of yen, 2014)	Contract/notional amount due after one year	Fair value
Commodity swaps: (Note) (Fixed price payment, floating price receipt)	Fuel	¥346	¥103	¥(89)
Total		¥346	¥103	¥(89)

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

Note 21: Commitments and Contingent Liabilities

Contingent liabilities at December 31, 2015 and 2014 are as follows:

	2015 (Millions of yen)	2014
Trade notes endorsed	**¥ 200**	¥253
Trade notes discounted with banks	**881**	10
Liability for guarantee and other	**881**	446
Total	**¥1,081**	¥709

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

Note 22:

Other Comprehensive Income

Each component of other comprehensive income and related tax effects (including those on minority interests) for the fiscal years ended December 31, 2015 and 2014 comprises the following:

	Millions of yen	
	2015	2014
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	¥ 1,074	¥ 1,435
Reclassification adjustments to profit (loss)	(39)	(4)
Amount before income tax effect	1,035	1,431
Income tax effect	(190)	(505)
Total	845	926
Deferred gains or losses on hedges:		
Gains (losses) arising during the year	131	508
Reclassification adjustments to profit (loss)	137	(194)
Amount before income tax effect	268	314
Income tax effect	(166)	(54)
Total	102	260
Foreign currency translation adjustment:		
Adjustments arising during the year	(14,440)	23,974
Reclassification adjustments to profit (loss)	(83)	6
Amount before income tax effect	(14,523)	23,980
Total	(14,523)	23,980
Remeasurements of defined benefit plans:		
Adjustments arising during the year	1,164	(7,919)
Reclassification adjustments to profit (loss)	3,276	3,722
Amount before income tax effect	4,440	(4,197)
Income tax effect	(880)	1,960
Total	3,560	(2,237)
Share of other comprehensive income of associates accounted for using equity method:		
Gains (losses) arising during the year	(1,194)	2,003
Reclassification adjustments to profit (loss)	(115)	4
Total	(1,309)	2,007
Total other comprehensive income	¥(11,325)	¥24,936

Note 23:

Subsequent Events

(1) At the Company's annual meeting of shareholders held on March 29, 2016, the shareholders approved the following appropriations of retained earnings:

	Millions of yen
Cash dividends, ¥4.00 per share	¥3,792
Total	¥3,792

(2) Consolidation of shares and revision of the number of shares per trading unit
The Company resolved at the Board of Directors' meeting held on February 26, 2016 to submit a proposal of partial amendment to the Articles of Incorporation for the consolidation of shares and the revision of the number of shares per trading unit, and the proposal was approved by resolution at the 118th Annual General Meeting of Shareholders held on March 29, 2016.

Reason for the consolidation of shares

The Japanese stock exchanges announced the "Action Plan for Consolidating Trading Units" and are pursuing the goal of consolidation of the trading units of listed companies at 100 shares. Keeping this action plan in mind, the Company proposes to change the number of shares per trading unit from 1,000 to 100 shares and consolidate its shares by a factor of 10 to 1 in order to fit the standard of the investment unit (¥50,000 or more and less than ¥500,000) that would be considered desirable by the Japanese stock exchanges.

Details of the consolidation of shares

Type of shares to be consolidated: Common stocks

Method and rate of the consolidation of shares

The Company shall consolidate the shares on July 1, 2016 by a factor of 10 to 1 based on the shareholders registered on June 30, 2016.

Decrease in the number of common stocks due to the consolidation of shares

Number of common stocks issued before the consolidation of shares (As of December 31, 2015)	965,372,048 shares
Number of common stocks decreased by the retirement of treasury shares	13,803,000 shares
Number of common stocks to be decreased by the consolidation of shares	856,412,144 shares
Number of common stocks issued after the consolidation of shares	95,156,904 shares

Number of authorized common stocks after the consolidation of shares

150,000,000 shares (Number of authorized common stocks before consolidation: 1,500,000,000 shares)

Note: The Company retired 13,803,000 treasury shares on January 15, 2016.

Decrease in the number of shareholders due to the consolidation of shares

Shareholder composition based on shareholders registered as of December 31, 2015 is as follows:

Shareholders by common stocks owned	Shareholders	Number of common stocks owned
Total	40,968 (100.00%)	965,372,048 shares (100.00%)
Less than 10 shares	900 (2.20%)	2,849 shares (0.00%)
More than 10 shares	40,068 (97.80%)	965,369,199 shares (100.00%)

Impact on per share information

Per share information for the fiscal years ended December 31, 2015 and 2014 is as follows, assuming that the shares were consolidated as such at the beginning of the fiscal year ended December 31, 2014.

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014
Equity per share	¥2,768.41	¥2,596.34
Earnings per share (Basic)	389.40	267.81
Earnings per share (Diluted)	—	—

Reason for the revision of the number of shares per trading unit

Please see "Reason for the consolidation of shares" for more information.

Details of the revision of the number of shares per trading unit

The number of shares per trading unit will be revised from 1,000 to 100 from July 1, 2016, when the consolidation of shares goes into effect.

Note 24: Segment Information

(1) Segment information

Description of reportable segments

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

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

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

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

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

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

Segment profits are based on operating income.

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

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

Millions of yen

	2015						
	Reportable Segment						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Total	Others	Total
Sales:							
Sales to customers	¥408,345	¥105,649	¥185,858	¥118,753	¥818,605	¥ 1,394	¥819,999
Intersegment sales	—	39,439	2,915	—	42,354	—	42,354
Total sales	408,345	145,088	188,773	118,753	860,959	1,394	862,353
Segment profit	19,184	13,714	14,826	8,149	55,873	139	56,012
Segment assets	¥321,999	¥108,165	¥197,195	¥115,124	¥742,483	¥34,078	¥776,561
Others:							
Depreciation and amortization	12,510	5,041	7,764	6,413	31,728	445	32,173
Amortization of goodwill	135	148	151	13	447	30	477
Investments in affiliates	1,160	1,118	15,241	2,638	20,157	1,898	22,055
Increase in property, plant and equipment and intangibles	9,836	5,041	7,719	8,121	30,717	524	31,241

Millions of yen

2014	Reportable Segment: Printing Inks	Fine Chemicals	Polymers	Application Materials	Total	Others	Total
Sales:							
Sales to customers	¥415,674	¥102,583	¥187,619	¥123,040	¥828,916	¥ 1,162	¥830,078
Intersegment sales	—	35,679	3,195	—	38,874	—	38,874
Total sales	415,674	138,262	190,814	123,040	867,790	1,162	868,952
Segment profit	17,277	13,848	7,789	7,144	46,058	(178)	45,880
Segment assets	¥344,240	¥110,991	¥189,694	¥114,072	¥758,997	¥45,056	¥804,053
Others:							
Depreciation and amortization	14,265	4,571	7,476	6,462	32,774	389	33,163
Amortization of goodwill	120	76	157	12	365	42	407
Investments in affiliates	1,586	1,357	15,353	2,345	20,641	5,633	26,274
Increase in property, plant and equipment and intangibles	9,731	6,885	7,833	7,258	31,707	872	32,579

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

Millions of yen

	2015	2014
Sales:		
Reportable segment total	**¥860,959**	¥867,790
Sales in “Others”	**1,394**	1,162
Elimination of intersegment transactions	**(42,354)**	(38,874)
Sales in consolidated financial statements	**¥819,999**	¥830,078

Millions of yen

	2015	2014
Profit:		
Reportable segment total	**¥55,873**	¥46,058
Profit in “Others”	**139**	(178)
Corporate expenses	**(4,944)**	(4,804)
Operating income in consolidated financial statements	**¥51,068**	¥41,076

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

Millions of yen

	2015	2014
Assets:		
Reportable segment total	**¥742,483**	¥758,997
Assets in “Others”	**34,078**	45,056
Elimination between segments	**(36,019)**	(38,200)
Corporate assets	**38,315**	37,850
Assets in consolidated financial statements	**¥778,857**	¥803,703

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

Other items are as follows:

Millions of yen

	2015				2014			
	Reportable Segments	Others	Adjustments	Consolidated	Reportable Segments	Others	Adjustments	Consolidated
Depreciation and amortization	¥31,728	¥ 445	¥713	¥32,886	¥32,774	¥ 389	¥ 659	¥33,822
Amortization of goodwill	447	30	—	477	365	42	—	407
Investments in affiliates	20,157	1,898	—	22,055	20,641	5,633	—	26,274
Increase in property, plant and equipment and intangibles	30,717	524	847	32,088	31,707	872	1,007	33,586

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

(2) Related information

Information about geographical areas

Millions of yen

	2015			
	Japan	USA	Others	Total
Net sales (Note)	¥286,283	¥112,320	¥421,396	¥819,999
Property, plant and equipment	119,193	31,611	82,341	233,145

Millions of yen

	2014			
	Japan	USA	Others	Total
Net sales (Note)	¥303,496	¥102,786	¥423,796	¥830,078
Property, plant and equipment	119,166	32,753	90,018	241,937

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

Information about major customers

Not applicable for the fiscal years ended December 31, 2015 and 2014 because there is no single customer which accounts for more than 10% of net sales shown on the consolidated statement of income.

(3) Impairment loss of assets by reportable segment

Millions of yen

	2015						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Others	Corporate and eliminations	Consolidated
Impairment loss	¥674	¥—	¥—	¥—	¥—	¥—	¥674

Millions of yen

	2014						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Others	Corporate and eliminations	Consolidated
Impairment loss	¥169	¥—	¥882	¥—	¥—	¥—	¥1,051

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

Millions of yen

	2015						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Others	Corporate and eliminations	Consolidated
Amortization	¥135	¥148	¥151	¥13	¥30	¥—	¥477
Unamortized balances	135	275	404	2	90	—	906

Millions of yen

	2014						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Others	Corporate and eliminations	Consolidated
Amortization	¥120	¥ 76	¥157	¥12	¥ 42	¥—	¥ 407
Unamortized balances	228	447	555	15	120	—	1,365

(5) Gain on bargain purchase by reportable segment

There was no gain on bargain purchase for the fiscal year ended December 31, 2015.

Millions of yen

	2014						
	Printing Inks	Fine Chemicals	Polymers	Application Materials	Others	Corporate and eliminations	Consolidated
Gain on bargain purchase	¥—	¥—	¥371	¥—	¥—	¥—	¥371

Note: Gain on bargain purchase comes from the acquisition of a subsidiary.

Note 25: Related-Party Transactions

(1) Related-party transactions with the Company

Related-party transactions with directors, corporate auditors, major individual shareholders and others of the Company for the fiscal years ended December 31, 2015 and 2014 are as follows:

Millions of yen

2015										
Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned majority of the shares (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	Owned Direct 5.61% Indirect 7.81%	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	2,171	Security deposit	1,778
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Direct 4.50%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 5)	559	Trade accounts payable and other accounts payable	203
							Sales of merchandise and finished goods, and offering of service (Note 6)	108	Trade notes and accounts receivable	23
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Direct 3.31%	Purchase of raw materials and others	Purchase of raw materials and others (Note 7)	5,673	Trade notes and accounts payable, and other accounts payable	1,451
							Sales of merchandise and finished goods, and offering of service (Note 6)	3,637	Trade accounts receivable	1,363

Notes: 1. Excluding consumption taxes

2. Including consumption taxes

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

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

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

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

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

Millions of yen

2014

Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned majority of the shares (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others, insurance agency business	Owned Direct 5.53% Indirect 7.69%	Rental of buildings, insurance agency business and others	Payment of rent for buildings and others (Note 4)	1,789	Security deposit	1,718
							Payment for insurance fee (Note 5)	31	Prepaid ex-penses for insurance fee	8
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Direct 4.43%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 6)	624	Trade accounts payable	216
							Sales of merchandise and finished goods (Note 7)	49	Trade notes and accounts receivable	19
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Direct 3.26%	Purchase of raw materials and others	Purchase of raw materials and others (Note 8)	6,616	Trade notes and accounts payable	1,330
							Sales of merchandise and finished goods (Note 7)	3,588	Trade accounts receivable	1,029

Notes: 1. Excluding consumption taxes

2. Including consumption taxes

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

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

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

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

7. "Sales of merchandise and finished goods" is determined on an arms-length transaction.

8. "Purchase of raw materials and others" is determined on an arms-length transaction.

(2) Related-party transactions with the consolidated subsidiaries

Related-party transactions with directors, corporate auditors, major individual shareholders and others of the Company for the fiscal years ended December 31, 2015 and 2014 are as follows:

Millions of yen

2015

Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned majority of the shares (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	Owned Indirect 13.42%	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	18	Security deposit	8
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Indirect 4.50%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 5)	663	Trade notes and accounts payable, and other accounts payable	131
							Sales of merchandise and finished goods, and offering of service (Note 6)	67	Trade notes and accounts receivable	22
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Indirect 3.31%	Purchase of raw materials and others	Purchase of raw materials and others (Note 7)	960	Trade accounts payable and other accounts payable	161
							Sales of merchandise and finished goods, and offering of service (Note 6)	373	Trade accounts receivable	129

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

Millions of yen

2014

Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned majority of the shares (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others, insurance agency business	Owned Indirect 13.22%	Rental of buildings, insurance agency business and others	Payment of rent for buildings and others (Note 4)	28	Security deposit	15
							Acquisition of business (Note 5)	150	—	—
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Indirect 4.43%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 6)	721	Trade accounts payable and other accounts payable	143
							Sales of merchandise and finished goods, and offering of service (Note 7)	65	Trade notes and accounts receivable	23
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Indirect 3.26%	Purchase of raw materials and others	Purchase of raw materials and others (Note 8)	1,030	Trade notes and accounts payable	232
							Sales of merchandise and finished goods, and offering of service (Note 7)	395	Trade accounts receivable	102

Notes: 1. Excluding consumption taxes

2. Including consumption taxes

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

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

5. Insurance agency business previously owned by Nissei Real-Estate Co., Ltd. was transferred to DIC Estate Co., Ltd., a fully owned company of DIC Corporation dated May 1, 2014. The fee in relation to the business transfer is determined on a contract basis based on an arms-length transaction upon the appraisal value of third parties.

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

7. "Sales of merchandise and finished goods, and offering of service" is determined on an arms-length transaction.

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

Management’s Report on Internal Control

1. Basic framework for internal control over financial reporting

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

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

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

The assessment of internal control over financial reporting for fiscal year 2015 was conducted as of December 31, 2015, which is the end of this fiscal year. The assessment was performed in accordance with relevant assessment standards generally accepted in Japan for internal control over financial reporting.

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

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

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

3. Results of the assessment

Based on the results of the assessment, we concluded that as of the end of the fiscal year ended December 31, 2015, the Company’s internal control over financial reporting was effectively maintained.

Yoshiyuki Nakanishi
Representative Director, President and CEO
DIC Corporation

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

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www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of DIC Corporation:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of DIC Corporation and its consolidated subsidiaries as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DIC Corporation and its consolidated subsidiaries as of December 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Report on Internal Control

We have audited management's report on internal control over financial reporting of the consolidated financial statements of DIC Corporation as of December 31, 2015.

Management's Responsibility for Report on Internal Control

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of DIC Corporation as of December 31, 2015 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Deloitte Touche Tohmatsu LLC

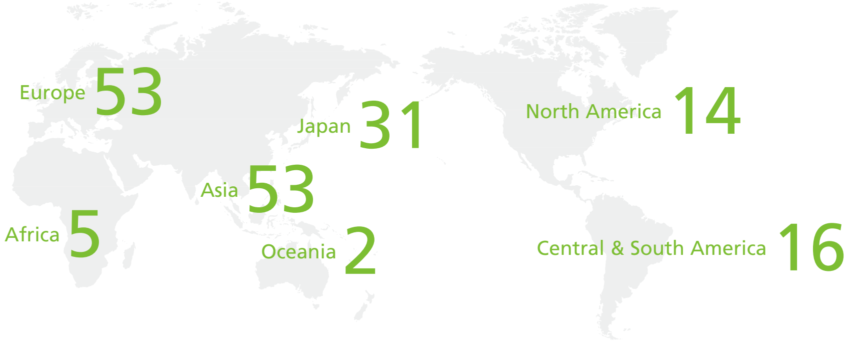
March 29, 2016

Major Subsidiaries and Affiliates

(As of December 31, 2015)

Global Network

The DIC Group comprises more than 170 companies in 64 countries and territories.



Printing Inks

Domestic

	Percent of Ownership
DIC Color Coatings, Inc. *Manufacture and sale of coatings for plastics and specialty coatings (pattern coatings)*	100%
DIC Graphics Corporation *Manufacture and sale of printing inks*	66.6%
DIC Machinery & Printer's Supplies, Inc. *Sale of printing inks and supplies*	100%
Topic Co., Ltd. *Manufacture and sale of precise photomask products and printed circuit board (PCB) pattern design*	100%

Overseas

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

Sun Chemical Group

Manufacture and sale of printing inks and supplies and pigments

	Country/Region	Percent of Ownership
Benda-Lutz Corporation	U.S.	100%
Benda-Lutz Skawina Sp. z.o.o.	Poland	100%
Benda-Lutz Volzhsky ooo	Russia	90%
Benda-Lutz Werke GmbH	Austria	100%
Coates Brothers (Caribbean) Ltd.	Trinidad and Tobago	100%
Coates Brothers (East Africa) Ltd.	Kenya	100%
Coates Brothers (West Africa) Ltd.	Nigeria	59.9%
Coates Screen Inks GmbH	Germany	100%
Hartmann D.O.O.	Slovenia	100%
Hartmann Druckfarben GmbH	Germany	100%
Hartmann-Sun Chemical EOOD	Bulgaria	100%
Inmobiliaria Sunchem, S.A. de C.V.	Mexico	100%
Kingfisher Colours Ltd.	U.K.	100%
Lorilleux Maroc S.A.	Morocco	50%
Parker Williams Design Ltd.	U.K.	100%
Sinclair S.A.S.	Colombia	100%
Sun Branding Solutions Ltd.	U.K.	100%
Sun Chemical A/S	Denmark	100%
Sun Chemical A/S	Norway	100%
Sun Chemical AB	Sweden	100%
Sun Chemical AG	Austria	100%
Sun Chemical AG	Switzerland	100%
Sun Chemical B.V.	Netherlands	100%
Sun Chemical (Chile) S.A.	Chile	100%
Sun Chemical Corporation	U.S.	100%
Sun Chemical de Centro America, S.A. de C.V.	El Salvador	50%
Sun Chemical de Panama, S.A.	Panama	100%
Sun Chemical do Brasil Ltda.	Brazil	100%
Sun Chemical d.o.o.	Croatia	100%
Sun Chemical Group Coöperatief U.A.	Netherlands	100%
Sun Chemical Group S.p.A.	Italy	100%
Sun Chemical (Hai'an) Limited	PRC	100%
Sun Chemical Holding (Hong Kong) Ltd.	PRC	100%
Sun Chemical Inks A/S	Denmark	100%
Sun Chemical Inks Ltd.	Ireland	100%
Sun Chemical Inks S.A.	Argentina	100%
Sun Chemical Lasfelde GmbH	Germany	100%

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

Sun Chemical Ltd.	Canada	100%
Sun Chemical Ltd.	U.K.	100%
Sun Chemical Matbaa Mürekkepleri ve Gereçleri Sanayii ve Ticaret A.Ş.	Turkey	100%
Sun Chemical N.V./S.A.	Belgium	100%
Sun Chemical Nyomdafestek Kereskedelmi es Gyarto KFT	Hungary	100%
Sun Chemical Osterode Druckfarben GmbH	Germany	100%
Sun Chemical Oy	Finland	100%
Sun Chemical Pigments S.L.	Spain	100%
Sun Chemical Portugal-Tintas Graficas Unipes-soal Ltda.	Portugal	100%
Sun Chemical Printing Ink d.o.o.	Serbia	100%
Sun Chemical Publication A.E.	Greece	100%
Sun Chemical Publications Bulgaria EAD	Bulgaria	100%
Sun Chemical Publications d.o.o.	Serbia	100%
Sun Chemical Publication Romania S.R.L.	Romania	100%
Sun Chemical S.A.	Spain	100%
Sun Chemical S.A. de C.V.	Mexico	100%
Sun Chemical S.A.S.	France	100%
Sun Chemical (South Africa) (Pty) Ltd.	South Africa	100%
Sun Chemical Sp. z.o.o.	Poland	100%
Sun Chemical s.r.l.	Romania	100%
Sun Chemical, s.r.o.	Czech Republic	100%
Sun Chemical, s.r.o.	Slovakia	100%
Sun Chemical Ukraine Ltd.	Ukraine	100%
Sun Chemical ZAO	Russia	100%
Tintas S.A.S.	Colombia	100%

Fine Chemicals

Domestic

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

Overseas

Overseas	Country/Region	Percent of Ownership
DIC Alkylphenol Singapore Pte., Ltd. *Manufacture of alkylphenols*	Singapore	100%
DIC Korea Liquid Crystal Co., Ltd. *Manufacture of and technical services related to liquid crystal (LC) materials*	Republic of Korea	55%
Lianyungang DIC Color Co., Ltd. *Manufacture and sale of organic pigments*	PRC	100%
Qingdao DIC Liquid Crystal Co., Ltd. *Manufacture of base components for LC materials*	PRC	100%
Suzhou Lintong Chemical Science Corp. *Manufacture and sale of intermediates for pigments and dyestuffs*	PRC	22.9%

Polymers

Domestic

Domestic	Percent of Ownership
DIC Covestro Polymer Ltd. *Sales, marketing and manufacturing of thermoplastic polyurethane (TPU)*	50%
DIC Kako, Inc. *Manufacture of fiber-reinforced plastic (FRP) molding compounds and molded products*	100%
DIC Kitanihon Polymer Co., Ltd. *Manufacture and sale of synthetic resins*	100%
DIC Kyushu Polymer Co., Ltd. *Manufacture of synthetic resins*	100%
DIC Material Inc. *Manufacture and sale of unsaturated polyester resin*	100%
Nippon Epoxy Resin Manufacturing Co., Ltd. *Manufacture of liquid-based basic epoxy resins*	40%
Oxirane Chemical Corp. *Manufacture and sale of plasticizers*	33.3%
Seiko PMC Corporation *Manufacture and sale of chemicals for paper production, resins for printing inks and reprographic products*	54.5%
SUNDIC Inc. *Manufacture and sale of biaxially oriented polystyrene sheet (OPS)*	50%

Overseas

Overseas	Country/Region	Percent of Ownership
Aekyung Chemical Co., Ltd. *Manufacture and sale of synthetic reins*	Republic of Korea	50%
Changzhou Huari New Material Co., Ltd. *Manufacture and sale of synthetic reins*	PRC	100%
DIC Epoxy (Malaysia) Sdn. Bhd. *Manufacture and sale of epoxy resins*	Malaysia	100%
DIC Performance Resins GmbH *Manufacture and sale of synthetic resins*	Austria	100%
DIC Synthetic Resins (Zhongshan) Co., Ltd. *Manufacture and sale of synthetic resins and metal carboxylates*	PRC	100%
DIC Zhangjiagang Chemicals Co., Ltd. *Manufacture of synthetic resins, plastic compounds, and fiber and textile colorants*	PRC	100%
Kangnam Chemical Co., Ltd. *Manufacture and sale of synthetic resins*	Republic of Korea	50%
Lidye Chemical Co., Ltd. *Manufacture and sale of synthetic resins*	Taiwan	51%
P.T. Pardic Jaya Chemicals *Manufacture and sale of synthetic resins*	Indonesia	98.5%
Siam Chemical Industry Co., Ltd. *Manufacture and sale of synthetic resins*	Thailand	93.2%
TOA-DIC Zhangjiagang Chemical Co., Ltd. *Manufacture and sale of UV-curable monomers and related products*	PRC	40%

Application Materials

Domestic

Company	Percent of Ownership
Cast Film Japan Co., Ltd. *Manufacture of cast polyolefin films*	50%
DIC Color Design, Inc. *Color-focused consulting, graphic design, and processing and sale of adhesive materials*	100%
DIC Decor, Inc. *Printing and sale of decorative sheets and plastic films*	100%
DIC EP Corp. *Manufacture of PPS neat polymers*	100%
DIC Interior Co., Ltd. *Manufacture of storage furniture and other interior housing products*	100%
DIC Lifetec Co., Ltd. *Manufacture and sale of Spirulina-related dietary supplements*	100%
DIC Molding, Inc. *Manufacture and sale of plastic helmets*	100%
DIC Plastics, Inc. *Manufacture and sale of plastic molded products and molding and processing equipment*	100%
Techno Science, Inc. *Manufacture of plastic precision filters and applied products, and physicochemical testing devices and related equipment*	50%
YD Plastics Co., Ltd. *Manufacture and sale of polyethylene terephthalate (PET) bottles*	50%

Overseas

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

Others

Domestic

Company	Percent of Ownership
DIC Estate Co., Ltd. *Brokerage of real estate and provision of plant security, insurance agency, headquarters receptionist and postal services*	100%
Renaissance, Inc. *Planning and operation of sports clubs and schools*	17.5%

Overseas

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

Investor Information and Corporate Data

(As of December 31, 2015)

Investor Information

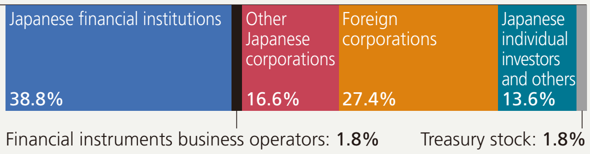
Common Stock

DIC common stock is listed and traded on the Tokyo stock exchanges. There were 40,968 shareholders of record on December 31, 2015. On the Tokyo Stock Exchange, the high and low prices for each quarter of the years 2015 and 2014 were as follows:

	2015		2014	
	High	Low	High	Low
Jan.–Mar.	**¥360**	**¥264**	¥323	¥253
Apr.–Jun.	**382**	**302**	279	249
Jul.–Sept.	**314**	**256**	268	221
Oct.–Dec.	**377**	**270**	306	204

Total Number of Shares Authorized	1,500,000,000 shares
Number of Unit Shares	1,000 shares
Paid-in Capital	¥96,556,692,787 (965,372,048 shares)
Independent Public Accountants	Deloitte Touche Tohmatsu LLC

Distribution of Shareholders



Major Shareholders

	Number of Shares Owned (Thousands)	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	81,129	8.40%
Nissei Real-Estate Co., Ltd.	53,104	5.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,129	4.46
Dainichi Can Co., Ltd.	42,561	4.40
The Dai-ichi Life Insurance Company, Limited	35,000	3.62
Nissin Trading Co., Ltd.	31,277	3.23
Japan Trustee Services Bank, Ltd. (Trust Account 4)	30,314	3.14
Aioi Nissay Dowa Insurance Co., Ltd.	25,907	2.68
Nippon Life Insurance Company	19,000	1.96
Japan Trustee Services Bank, Ltd. (Trust Account 9)	15,002	1.55
	376,426	38.99%

Transfer Agent

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

Meeting of Shareholders

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

For Further Information, Contact:

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

Corporate Data

Registered Address

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

Corporate Headquarters

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

Principal Domestic Offices, Plants and Laboratories (Nonconsolidated)

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

Number of Employees

20,264

Date of Foundation

February 15, 1908

Date of Incorporation

March 15, 1937

Color & Comfort

DIC Corporation

DIC Building, 7-20, Nihonbashi 3-chome,
Chuo-ku, Tokyo 103-8233, Japan
http://www.dic-global.com/