



To our shareholders:

Items Disclosed via the Internet Concerning the Notice of
Convocation of the 120th Annual General Meeting of Shareholders

Notes to Consolidated Financial Statements

Notes to Non-Consolidated Financial Statements

The items listed above are posted on the Company's website in the internet based on the applicable laws and regulations and Article 15 of the Articles of Incorporation of the Company.

DIC Corporation



(c) Inventories

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

(2) Method for Depreciation of Non-Current Assets

(a) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries:

Depreciation of buildings (other than facilities attached to buildings) is calculated principally by the straight-line method. Besides, depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016 is also calculated by the straight-line method. Other property, plant and equipment is calculated by the declining-balance method.

Foreign consolidated subsidiaries:

Depreciation of property, plant and equipment is calculated principally by the straight-line method.

The principal useful lives are as follows:

Buildings and structures	8 - 50 years
Machinery, equipment and vehicles	3 - 11 years

(b) Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method.

(c) Leased assets

The Company and its domestic consolidated subsidiaries:

Leased assets related to finance leases that do not transfer ownership of the leased property to the lessee are depreciated on a straight-line basis, with the lease periods used as their useful lives and no residual value.

Foreign consolidated subsidiaries:

Lease transactions are accounted for in accordance with either the generally accepted accounting principles in the United States or the International Financial Reporting Standards.

(3) Standards for Accrual

(a) Allowance for doubtful accounts

The Company and its domestic consolidated subsidiaries:

Allowance for doubtful accounts is provided based on historical experience for normal receivables and on an estimate of collectability of receivables from companies in financial difficulty.



Foreign consolidated subsidiaries:

Allowance for doubtful accounts is provided based on an estimate of collectability of receivables.

(b) Provision for bonuses

Provision for bonuses is provided based on the estimated payments of bonuses to employees and executive officers by the Company and its domestic consolidated subsidiaries.

(4) 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 (15-16 years). Past service costs are amortized in the accounting periods when they accrue.

Foreign consolidated subsidiaries are accounted for in accordance with either the generally accepted accounting principles in the United States or the International Financial Reporting Standards. 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 (9-28 years). Past service costs are amortized over 3-25 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.

(5) Foreign Currency Translation

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.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the exchange rates as of the balance sheet date. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Foreign currency translation adjustments are presented as a separate component of net assets.



(6) Method for Hedge Accounting

Hedge accounting, under which unrealized gain or loss is deferred, is adopted for derivatives which qualify as hedges. The receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. If interest rate swaps qualify for hedge accounting and meet certain specific matching criteria, they will not be measured at market value, rather the differential paid or received under the swap agreements will be recognized in interest expense or income.

(7) Consumption Taxes

Consumption taxes are excluded from each transaction amount and accounted for separately.

5. Amortization of Goodwill

Goodwill is amortized by the straight-line method over 20 years.

6. Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year ended December 31, 2017, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

Board Benefit Trust (BBT)

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

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

(a) Outline of the transactions

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



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

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

II. Notes to Consolidated Balance Sheet

	(Millions of yen)
1. Accumulated Depreciation of Property, Plant and Equipment	559,793
2. Assets Pledged for Collateral and Secured Liabilities	
(a) Assets pledged for collateral	(Millions of yen)
Notes and accounts receivable-trade	3,873
Inventories	2,002
Buildings and structures	308
Land	264
Total	6,447
(b) Secured liabilities	(Millions of yen)
Short-term loans payable	616
Total	616
3. Contingent Liabilities	(Millions of yen)
(a) Liability for guarantee	705
(b) Trade notes discounted	21



III. Notes to Consolidated Statement of Changes in Net Assets

(Shares)

1. Number of Common Stock Issued at the End of the Period 95,156,904

2. Cash Dividends

(a) Amount of cash dividends paid

Resolution	Type of stock	Dividends in total (Millions of yen)	Cash dividends per share (Yen)	Record date	Dividend payment
March 29, 2017 Annual General Meeting of Shareholders	Common stock	5,688	60	December 31, 2016	March 30, 2017
August 9, 2017 Meeting of the Board of Directors	Common stock	5,688	60	June 30, 2017	September 1, 2017
Total		11,376			

Note: The total amount of dividends resolved at the meeting of the board of directors held on August 9, 2017 includes dividends of ¥9 million for the Company's shares held by the Board Benefit Trust (BBT).

(b) Amount of cash dividends to be paid

Resolution	Type of stock	Funds for dividends	Dividends in total (Millions of yen)	Cash dividends per share (Yen)	Record date	Dividend payment
March 29, 2018 Annual General Meeting of Shareholders	Common stock	Retained earnings	5,688	60	December 31, 2017	March 30, 2018

Note: The total amount of dividends to be resolved at the annual general meeting of shareholders held on March 29, 2018 includes dividends of ¥9 million for the Company's shares held by the Board Benefit Trust (BBT).

IV. Notes to Financial Instruments

1. Status of Financial Instruments

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

The Group has derivatives which consist of forward foreign currency contracts, currency options, currency swaps and interest-swaps. For commodities, commodity swaps are used. Derivatives are not used for trading or speculative purposes, but for risk aversion.



The Company and its consolidated subsidiaries apply hedge accounting when the derivative qualifies as a hedging instrument.

2. Fair Value of Financial Instruments

The following table presents the carrying amounts and the fair value of financial instruments at December 31, 2017. Financial instruments whose fair value is not reliably measured are excluded from the table below.

(Millions of yen)

		Carrying Amount	Fair Value	Difference
①	Cash and deposits	17,883	17,883	—
②	Notes and accounts receivable-trade	226,968	226,968	—
③	Investment securities			
	Stocks of affiliates	27,955	35,436	7,481
	Available-for-sale securities	19,537	19,537	—
	Assets total	292,343	299,824	7,481
①	Notes and accounts payable-trade	117,199	117,199	—
②	Short-term loans payable	61,385	61,385	—
③	Current portion of long-term loans payable	27,677	27,690	13
④	Lease obligations (current)	557	557	—
⑤	Income taxes payable	4,793	4,793	—
⑥	Bonds payable	50,000	50,395	395
⑦	Long-term loans payable	122,017	122,141	124
⑧	Lease obligations (non-current)	4,045	4,414	369
	Liabilities total	387,673	388,574	901
	Derivative financial instruments (*1)			
①	Hedge accounting - Not applied	(394)	(394)	—
②	Hedge accounting - Applied	(4)	(4)	—
	Derivative financial instruments total	(398)	(398)	—

(*1) Figures are net of debts and credits that arise from Derivative financial instruments. Net debt amounts are indicated in parentheses.

(Note 1) Valuation techniques used to estimate the fair value of financial instruments, and information on marketable securities and derivative financial instruments are as follows:

Assets

① Cash and deposits, ② Notes and accounts receivable-trade

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

③ Investment securities

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



Liabilities

- ① Notes and accounts payable-trade, ② Short-term loans payable, ⑤ Income taxes payable

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

- ③ Current portion of long-term loans payable, ⑦ 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 swap is based on present value by totaling the amount of principal and interest, together with the related interest rate swap, 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 the credit status of the Company remains unchanged.

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

- ⑥ Bonds payable

The fair value of bonds payable is measured at the quoted market prices.

- ④ Lease obligations (current), ⑧ Lease obligations (non-current)

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

The fair value of derivative financial instruments is determined at the quoted price obtained from the financial institutions or the quoted market price at the stock exchange.

Exchange contracts and others appropriated to specific debts and credits are settled together with the foreign currency receivable and payable subject to the hedged transaction. Accordingly, the fair value of such exchange contracts is reflected in the accounts of foreign currency receivable and payable.

If interest rate swaps qualify for hedge accounting and meet certain specific criteria, they will not be measured at market value. Therefore, the fair value of such interest rate swaps is not accounted for in the account of loans payable.

(Note 2) Financial instruments whose fair value is not reliably measured

There are no market prices for non-listed stocks and others (carrying amount of ¥29,375 million) whose future cash flows cannot be estimated. The fair value of such non-listed stocks and others is not reliably determined and thus excluded from ③ “Investment securities.”



V. Per Share Information

	(Yen)
Equity per share	3,329.60
Earnings per share	407.56

(Notes)

1. From the fiscal year ended December 31, 2017, the Company introduced the Board Benefit Trust (BBT). The shares held by the trust are recorded under net assets as treasury shares. The number of treasury shares excluded from the number of shares issued as of the balance sheet date used for the calculation of equity per share includes the number of shares held by the trust. The number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year used for the calculation of earnings per share includes the number of shares held by the trust.
2. The number of treasury shares excluded from the calculation of equity per share was 151,700 as of December 31, 2017, while the weighted-average number of treasury shares issued during the fiscal year excluded from the calculation of earnings per share was 81,685 for the fiscal year ended December 31, 2017.

VI. Others

Japanese yen amounts are rounded to the nearest million.



Notes to Non-Consolidated Financial Statements

I . Significant Accounting Policies

1. Methods and Standards for Valuation of Securities

Securities of subsidiaries and affiliates:

Securities of subsidiaries and affiliates are stated at cost calculated by the moving-average method.

Other securities:

Marketable securities

Marketable 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. The cost of securities sold is calculated by the moving-average method.

Non-marketable securities

Non-marketable securities are carried at cost calculated by the moving-average method.

2. Methods and Standards for Valuation of Derivatives

Derivatives are carried at fair value.

3. Methods and Standards for Valuation of Inventories

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

4. Method for Depreciation of Non-Current Assets

(1) Property, plant and equipment (excluding leased assets)

Buildings, tools, and facilities attached to buildings and structures acquired on or after April 1, 2016:

Straight-line method

Furniture and fixtures:

Declining-balance method

Other property, plant and equipment:

Declining-balance method, except for certain assets to which the straight-line method is applied

The principal useful lives are as follows:

Buildings	8 - 50 years
Machinery and equipment	8 years

(2) Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method.

With regard to software for internal use, the straight-line method is applied based on a useful life of five years.



(3) Leased assets

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.

5. Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates as of the balance sheet date. Any difference arising from the translation is recognized in the statement of income.

6. Standards for Accrual

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on historical experience for normal receivables and on an estimate of collectability of receivables from companies in financial difficulty.

(2) Provision for bonuses

Provision for bonuses is provided based on the estimated payments of bonuses to employees and executive officers.

(3) Provision for directors' bonuses

Provision for directors' bonuses is provided based on the estimated payments of bonuses.

(4) Provision for retirement benefits (prepaid pension cost)

Provision for employees' and executive officers' retirement benefits is provided based on the retirement benefit obligations and the fair value of pension plan assets as of the balance sheet date.

(a) Method of attributing expected retirement benefits to each period

In calculating retirement benefit obligations, the Company applies a method of attributing expected retirement benefits to each period on a benefit formula basis.

(b) Accounting for actuarial gain/loss and past service costs

Past service costs are amortized in the accounting periods when they accrue. Actuarial gain and loss is amortized in the succeeding years by the straight-line method over the average remaining service period of the eligible employees (15 years).

(5) Provision for stock payments

Provision for stock payments is provided based on the estimated amount of stock payments obligations as of the balance sheet date to prepare for the payments of the performance-based stock compensation in accordance with the Rules of Officer Share Benefit.

(6) Provision for loss on business of subsidiaries and affiliates

Provision for loss on business of subsidiaries and affiliates is provided based on the consideration of the asset conditions of subsidiaries and affiliates.



7. Method for deferred assets

Bond issuance cost is expensed upon payment.

8. Method for Hedge Accounting

Hedge accounting, under which unrealized gain or loss is deferred, is adopted for derivatives which qualify as hedges. The receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. If interest rate swaps qualify for hedge accounting and meet certain specific matching criteria, they will not be measured at market value, rather the differential paid or received under the swap agreements will be recognized in interest expense or income.

9. Method for Consumption Taxes

Revenues and expenses are recorded at amounts exclusive of consumption taxes. Nondeductible consumption taxes are treated as expenses in the current fiscal year.

10. Retirement and Pension Plans

The accounting treatment for previously unrecognized actuarial gains and losses on the non-consolidated financial statements is different from the consolidated financial statements. On the non-consolidated balance sheet, pension assets are deducted from retirement benefit obligations adjusted with previously unrecognized actuarial gains and losses, and the net amount is recognized as provision for retirement benefits or prepaid pension cost.

11. Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year ended December 31, 2017, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

Board Benefit Trust (BBT)

The notes concerning the transaction of delivering the Company’s own stock to executive officers as well as directors who concurrently serve as executive officers through the Board Benefit Trust (BBT) are omitted, as “6. Additional Information” of the notes to consolidated financial statements contains the same description.



II. Notes to Non-Consolidated Balance Sheet

(Millions of yen)

1. Accumulated Depreciation of Property, Plant and Equipment 267,835

2. Contingent Liabilities and Others

(1) Liability for guarantee (Millions of yen)

Guaranteed party	Amount	Contents of guarantee
DIC Graphics Corporation	2,269	Purchase liabilities
DIC Decor, Inc.	1,840	Purchase liabilities
DIC Plastics, Inc.	841	Purchase liabilities
CAST FILM JAPAN CO., LTD.	575	Loans from financial institutions
DIC Color Design, Inc.	521	Purchase liabilities
3 companies and others	328	Loans from financial institutions and others
Total	6,374	

(Millions of yen)

(2) Trade notes discounted 21

(Millions of yen)

3. Short-term receivables from subsidiaries and affiliates 42,356

Short-term liabilities to subsidiaries and affiliates 64,383

Long-term liabilities to subsidiaries and affiliates 224

III. Notes to Non-Consolidated Statement of Income

Transactions with subsidiaries and affiliates (Millions of yen)

Sales 58,381

Purchases 36,121

Other transactions 43,669



IV. Notes to Non-Consolidated Statement of Changes in Net Assets

	Type and number of treasury stock, at cost			(Shares)
	As of January 1, 2017	Increase in FY 2017	Decrease in FY 2017	As of December 31, 2017
Common stock	356,552	155,741	—	512,293
Total	356,552	155,741	—	512,293

Note: The increase of treasury shares of common stock (155,741 shares) was due to the purchase of odd shares (4,041 shares) and the acquisition of the Company's shares by the Board Benefit Trust (BBT) (151,700 shares).

V. Tax Effect Accounting

A breakdown of the major components of deferred tax assets and liabilities as of December 31, 2017 is as follows:

	(Millions of yen)
Deferred gains or losses on hedges	1,553
Stocks of subsidiaries and affiliates	1,496
Provision for bonuses	1,442
Others	4,939
Subtotal deferred tax assets	9,430
Valuation allowance	(3,274)
Total deferred tax assets	6,156
	(Millions of yen)
Stocks of subsidiaries and affiliates	(3,478)
Valuation difference on available-for-sale securities	(3,107)
Provision for tax deferral of property, plant and equipment	(2,732)
Others	(3,179)
Total deferred tax liabilities	(12,496)
Total deferred tax assets (net)	(6,340)



VI. Related-party Transactions

1. Related Companies

(Millions of yen)

Attribution	Name of related-party	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of transaction (Note 1)	Balance at year-end	
						Account	Amount (Note 2)
Subsidiaries	DIC Graphics Corporation	Owning Direct 66.6%	Sales of raw materials, and others Dispatch of officer	Sales of raw materials and others (Note 3)	21,246	Accounts receivable -other	5,486
				Loan transaction (Note 4)	8,941	Short-term loans payable	7,889
	DIC INVESTMENTS JAPAN, LLC.	Owning Direct 100%	Loan transaction Dispatch of officer	Loan transaction (Note 4)	31,768	Short-term loans payable	31,831
Affiliates	TAIYO HOLDINGS CO., LTD	Owning Direct 19.5%	Capital and business alliance Dispatch of officer	Acquisition of shares (Note 5)	24,873	—	—

(Notes)

1. Excluding consumption taxes.
2. Including consumption taxes.
3. “Sales of raw materials and others” is determined on an arms-length transaction.
4. Interest rate applied to loan transactions is reasonably determined based on the market interest rate.
5. The amount of transaction is based on the closing price of TAIYO HOLDINGS’ shares on the Tokyo Stock Exchange on January 24, 2017, the business day immediately preceding the date on which the meeting of the board of directors resolved to implement the third-party allotment.



2. Directors, Corporate Auditors, Major Individual Stockholders and Others

(Millions of yen)

Attribution	Name of related-party	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of transaction (Note 1)	Balance at year-end	
						Account	Amount (Note 2)
Companies where directors and their close relatives owned a majority of the voting rights (Note 3)	Nissei Real-Estate Co., Ltd.	Owned Direct 5.61% Indirect 7.81%	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	2,196	Security deposit	1,758
	Dainichi Can Co., Ltd.	Owned Direct 4.50%	Purchase of metallic containers, and others	Purchase of metallic containers and others (Note 5)	530	Trade notes, accounts payable-trade, and accounts payable-other	234
				Sales of merchandise and finished goods, and offering of service (Note 6)	55	Trade notes and accounts receivable	24
	Nissin Trading Co., Ltd.	Owned Direct 3.31%	Purchase of raw materials, and others	Purchase of raw materials and others (Note 7)	5,388	Trade notes, accounts payable-trade, and accounts payable-other	1,503
				Sale of merchandise and finished goods, and offering of service (Note 6)	4,079	Accounts receivable-trade and accounts receivable-other	1,618

(Notes)

1. Excluding consumption taxes.
2. Including consumption taxes.
3. Yoshihisa Kawamura, a director of the Company, and his close relatives substantially own a majority of the voting rights. 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.



VII. Per Share Information

	(Yen)
Equity per share	2,996.43
Earnings per share	278.01

Note: As described in “V. Per Share Information” of the notes to consolidated financial statements, the number of treasury shares excluded from the number of shares issued as of the balance sheet date or the weighted-average number of shares issued during the fiscal year includes the number of shares held by the Board Benefit Trust (BBT).

VIII. Others

Japanese yen amounts are rounded to the nearest million.