To our shareholders:

# Items Disclosed via the Internet Concerning the Notice of Convocation of the 122nd 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

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

# Notes to Consolidated Financial Statements

## Ⅰ. Significant Accounting Policies

1. Scope of Consolidation

Number of consolidated subsidiaries 151

(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 others)

Change in scope of consolidation

Increase: 7 companies IDEAL CHEMI PLAST PRIVATE LTD. and others (acquisition of shares)

Decrease: 3 companies TAKARA KAKO Inc. and others (sale of shares)

2. Scope of Equity Method

Number of companies accounted for by the equity method 22

(TAIYO HOLDINGS CO., LTD., RENAISSANCE INCORPORATED and others)

Change in scope of equity method

Increase: None

Decrease: 4 companies Aekyung Chemical Co., Ltd. and others (sale of shares)

3. Accounting Period of Consolidated Subsidiaries

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

4. Accounting Policies

(1) Methods and Standards for Valuation of Significant Assets

(a) 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. The cost of securities sold is calculated by the moving average method.

Available-for-sale securities whose fair value is not readily available are carried at cost calculated by the moving average method.

(b) Derivatives

Derivatives are carried at fair value.

(c) Inventories

Inventories are principally stated at cost, determined by the first-in, first-out 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. Depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016 is also calculated by the straight-line method. Depreciation of 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 mainly 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 mainly 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

Net defined benefit asset/liability is recognized for employees' and executive officers' retirement benefits. Pension assets are deducted from retirement benefit obligations and the net amount is recognized based on the estimated amount of payment as of the balance sheet date. In calculating retirement benefit obligations, the Company applies a method of attributing expected retirement benefits to each period on a benefit formula basis.

The Company and its domestic consolidated subsidiaries amortize actuarial gains and losses in the succeeding years primarily by the straight-line method over stated years that do not exceed the average remaining service period of the eligible employees (14-16 years). Past service costs are amortized in the accounting periods when they accrue.

Foreign consolidated subsidiaries amortize actuarial gains and losses in the succeeding years primarily by the straight-line method over stated years that do not exceed the average remaining service period of the eligible employees (8-28 years). Past service costs are amortized over 1-28 years.

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

(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. Changes in Accounting Policies

*“IFRS16 Leases”*

The consolidated subsidiaries that adopt the International Financial Reporting Standards have been applying IFRS 16 “Leases” (issued in January 2016) (“IFRS 16”) from the fiscal Year ended December 31, 2019. In applying IFRS 16, they have adopted a method of recognizing the cumulative effects of applying this standard on the date of initial application, which is accepted as a transitional measure. With regard to leases that the Group as lessee previously classified as operating leases by applying IAS 17, these leases were recognized as right-of-use assets and lease liabilities on the date of initial application. As a result, the impact of this change on the consolidated income for the fiscal year ended December 31, 2019 was immaterial.

*ASU2016-16 Corporate Income Tax “Intra-entity transfers of assets other than inventory”*

The consolidated subsidiaries that adopt the generally accepted accounting principles in the United States have been applying ASU2016-16 Corporate Income Tax “Intra-entity transfers of assets other than Inventory” (“ASU2016-16”) from the beginning of the fiscal year ended December 31, 2019. ASU2016-16 requires recognition of the income tax consequences of an intra-entity transfer of assets other than inventory when the transfer occurs. Historically, under the generally accepted accounting principles in the United States, the income tax consequences for asset transfers other than inventory cannot be recognized until the asset was sold to a third party. ASU2016-16 is required to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. Accordingly, it resulted in decreasing retained earnings brought forward as of January 1, 2019 by ¥774 million.

7. Changes in Presentation

*Changes Due to Application of Partial Amendments to Accounting Standard for Tax Effect Accounting*

The Company has been applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018) from the beginning of the fiscal year ended December 31, 2019. Deferred tax assets are recorded in investments and other assets and Deferred tax liabilities are recorded in non-current liabilities.

8. Additional Information

*Board Benefit Trust (BBT)*

With regard to the compensation for executive officers, as well as directors who concurrently serve as executive officers (the “Target Officers”), the Company introduced a 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 value of the Company's shares. The intended result is strengthening the Target Officers' awareness of their contributions to the medium- to long-term improvement of corporate performance and value.

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

(1) Outline of the transactions

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

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

The shares remaining in the trust are recorded under net assets as treasury shares at the book value in the trust (excluding incidental costs). The book value and number of such treasury shares are ¥577 million and 146 thousand as of December 31, 2019, and ¥584 million and 148 thousand as of December 31, 2018, respectively.

*The acquisition of the shares and assets of a pigments business from BASF SE and transformation of the business into a subsidiary*

On August 29, 2019 the Company resolved to acquire the shares and assets of the Colors & Effects business of BASF SE, Europe's largest chemicals manufacturer and entered into the master sale and purchase agreement. This transaction is subject to regulatory approval by pertinent U.S., European and other authorities as well as other customary conditions.

(1) Objectives of the acquisition of shares and assets

To hasten the qualitative transformation of its Color & Display business, the Company is working to expand its functional pigments business with the aim of driving growth as a leading global manufacturer of high-growth, high-value specialty pigments, including those for displays, cosmetics, and automobiles. The annual global pigments market is estimated at approximately ¥2.3 trillion. The Company is a leader in organic pigments and a valued manufacturer of aluminum effect pigments. The target business, which is based in Europe and has sites around the world, has established itself as a prominent global manufacturer of effect pigments (for pearl pigments) and for specialty inorganic pigments. Accordingly, the product portfolios of the Company and the target business are highly complementary, with little product overlap. Through this acquisition, the Company will add a functional pigments product portfolio which is highly regarded by customers. The Company has committed itself to achieving sustainable growth for its color materials business by expanding its functional pigments business, recognizing this as crucial to bolstering its corporate value.

(2) Name of the seller of the target business

BASF SE

(3) Profile of the target business

This acquisition involves obtaining the pigments business-related assets—including technologies, patents and other intellectual property, as well as goodwill not included in the share purchase—and the shares of 18 individual companies.

(4) Schedule of the acquisition of the target business

By the end of 2020

(Notes)

1. This transaction is subject to regulatory approval by pertinent U.S., European and other authorities—including under the antitrust laws of the relevant countries—as well as other customary conditions.
2. Owing to regulatory review timing and other closing conditions, the effective date of the transfer of shares and assets may change.

(5) Cost of acquisition (Reference)

€985 million (¥116.2 billion)

(Notes)

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

(6) Plans for raising funds

The Company intends to raise funds in a manner that avoids a decline in capital efficiency due to stock dilution and which maintains financial soundness. Specifically, after using cash on hand and procuring funds through bridge loans, the Company plans to refinance using an approach that will ensure an optimal financial structure. The Company has no plans to raise funds using equity financing.

## Ⅱ. Notes to Consolidated Balance Sheet

(Millions of yen)

1. Accumulated Depreciation of Property, Plant and Equipment 563,938

2. Assets Pledged for Collateral and Secured Liabilities

(a) Assets pledged for collateral (Millions of yen)

| | |
|---|---|
| Cash and deposits | 14 |
| Notes and accounts receivable-trade | 3,141 |
| Inventories | 1,505 |
| Buildings and structures | 532 |
| Land | 2,170 |
| Total | 7,362 |

(b) Secured liabilities (Millions of yen)

| | |
|---|---|
| Short-term loans payable | 79 |
| Current portion of long-term loans payable | 74 |
| Long-term loans payable | 686 |
| Total | 838 |

3. Contingent Liabilities (Millions of yen)

(a) Liability for guarantee 583

## Ⅲ. Notes to Consolidated Statement of Changes in Net Assets

(Shares)

1. Number of Common Stock Issued at the End of 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 27, 2019 Annual General Meeting of Shareholders | Common stock | 6,162 | 65 | December 31, 2018 | March 28, 2019 |
| August 8, 2019 Meeting of the Board of Directors | Common stock | 5,688 | 60 | June 30, 2019 | September 2, 2019 |
| Total | | 11,849 | | | |

Note: 1. The total amount of dividends resolved at the annual general meeting of shareholders held on March 27, 2019 includes dividends of ¥10 million for the Company's shares held by the Board Benefit Trust (BBT).

2. The total amount of dividends resolved at the meeting of the board of directors held on August 8, 2019 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 26, 2020 Annual General Meeting of Shareholders | Common stock | Retained earnings | 3,792 | 40 | December 31, 2019 | March 27, 2020 |

Note: The total amount of dividends to be resolved at the annual general meeting of shareholders held on March 26, 2020 includes dividends of ¥6 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.

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2. Fair Value of Financial Instruments

The following table presents the carrying amounts and the fair value of financial instruments at December 31, 2019. 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 | 16,786 | 16,786 | — |
| ② | Notes and accounts receivable-trade | 211,232 | 211,232 | — |
| ③ | Investment securities | | | |
| | Stocks of affiliates | 26,723 | 31,574 | 4,851 |
| | Available-for-sale securities | 10,976 | 10,976 | — |
| Assets total | | 265,717 | 270,568 | 4,851 |
| ① | Notes and accounts payable-trade | 108,562 | 108,562 | — |
| ② | Short-term loans payable | 20,139 | 20,139 | — |
| ③ | Current portion of long-term loans payable | 23,456 | 23,645 | 189 |
| ④ | Lease obligations (current) | 1,244 | 1,244 | — |
| ⑤ | Income taxes payable | 2,556 | 2,556 | — |
| ⑥ | Bonds payable | 80,000 | 80,640 | 640 |
| ⑦ | Long-term loans payable | 122,602 | 123,014 | 412 |
| ⑧ | Lease obligations (non-current) | 5,191 | 5,514 | 323 |
| Liabilities total | | 363,750 | 365,314 | 1,564 |
| Derivative financial instruments (*1) | | | | |
| ① | Hedge accounting - Not applied | △106 | △106 | — |
| ② | Hedge accounting - Applied | 985 | 985 | — |
| Derivative financial instruments total | | 879 | 879 | — |

(*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:

<u>Assets</u>

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.

<u>Liabilities</u>

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 amounts, 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 ¥21,614 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 | 3,304.34 |
| Earnings per share | 248.29 |

(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 146,200 as of December 31, 2019, while the weighted-average number of treasury shares issued during the fiscal year excluded from the calculation of earnings per share was 146,323 for the fiscal year ended December 31, 2019.

## 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, determined by the first-in, first-out 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 5 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 gains/losses and past service costs

Past service costs are amortized in the accounting periods when they accrue. Actuarial gains and losses are amortized in the succeeding years by the straight-line method over the average remaining service period of the eligible employees (14 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. Changes in Accounting Policy

*Application of Implementation Guidance on Tax Effect Accounting*

The Company has been applying “Implementation Guidance on Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018) from the fiscal year ended December 31, 2019 and accounting treatment of taxable temporary difference due to stocks of subsidiaries in non-consolidated financial statement has been revised. Such changes in accounting policy have been retroactively applied. Accordingly, it resulted in increasing retained earnings brought forward as of January 1, 2019 by ¥3,478 million.

12. Changes in Presentation

*Changes Due to Application of Partial Amendments to Accounting Standard for Tax Effect Accounting*

The Company has been applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018) from the beginning of the fiscal year ended December 31, 2019. Deferred tax assets are recorded in investments and other assets and deferred tax liabilities are recorded in non-current liabilities.

13. Additional Information

*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 “8. 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 278,221

2. Contingent Liabilities and Others

(Millions of yen)

| Guaranteed party | Amount | Contents of guarantee |
|---|---|---|
| DIC Graphics Corporation | 2,452 | Purchase liabilities |
| DIC Decor, Inc. | 1,836 | Purchase liabilities |
| DIC Plastics, Inc. | 944 | Purchase liabilities |
| CAST FILM JAPAN CO., LTD. | 525 | Loans from financial institutions |
| Three companies and others | 740 | Loans from financial institutions and others |
| Total | 6,498 | |

(Millions of yen)

| | |
|---|---|
| 3. Short-term receivables from subsidiaries and affiliates | 42,933 |
| Short-term liabilities to subsidiaries and affiliates | 78,590 |
| Long-term liabilities to subsidiaries and affiliates | 230 |

## Ⅲ. Notes to Non-Consolidated Statement of Income

Transactions with subsidiaries and affiliates (Millions of yen)

| | |
|---|---|
| Sales | 47,977 |
| Purchases | 31,408 |
| Other transactions | 18,184 |

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

Type and number of treasury stock, at cost (Shares)

| | As of January 1, 2019 | Increase in FY 2019 | Decrease in FY 2019 | As of December 31, 2019 |
|---|---|---|---|---|
| Common stock | 511,035 | 2,187 | 1,600 | 511,622 |
| Total | 511,035 | 2,187 | 1,600 | 511,622 |

(Notes)

1. The shares held by the Board Benefit Trust (146,200 shares) are included in the number of treasury shares.
2. The increase of treasury shares of common stock (2,187 shares) was due to the purchase of odd-lot shares.
3. The decrease of treasury shares of common stock (1,600 shares) was due to the benefit of the Company's shares by the Board Benefit Trust (BBT).

## Ⅴ. Tax Effect Accounting

A breakdown of the major components of deferred tax assets and liabilities as of December 31, 2019 is as follows:

| | (Millions of yen) |
|---|---|
| Stocks of subsidiaries and affiliates | 1,701 |
| Provision for bonuses | 1,151 |
| Deferred gains or losses on hedges | 1,090 |
| Others | 4,154 |
| Subtotal deferred tax assets | 8,096 |
| Valuation allowance | (3,297) |
| Total deferred tax assets | 4,799 |

| | (Millions of yen) |
|---|---|
| Prepaid pension cost | (2,576) |
| Deferred income taxes related to gains from property, plant and equipment | (2,536) |
| Gain on contribution of securities to retirement benefit trust | (1,277) |
| Others | (2,131) |
| Total deferred tax liabilities | (8,520) |
| Total deferred tax assets (net) | (3,721) |

## 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<br>Dispatch of officer | Sales of raw materials and others (Note 3) | 19,520 | Accounts receivable -other | 5,110 |
| | | | | Loan transaction (Note 4) | 11,007 | Short-term loans payable | 9,782 |
| | DIC INVESTMENTS JAPAN, LLC. | Owning Direct 100% | Loan transaction<br>Dispatch of officer | Loan transaction (Note 4) | 35,332 | Short-term loans payable | 35,392 |

(Notes)

1. Excluding consumption taxes.
2. Including consumption taxes.
3. “Sales of raw materials and others” are determined on an arms-length transaction.
4. Interest rate applied to loan transactions is reasonably determined based on the market interest rate.

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. | — | Rental of buildings and others | Payment of rent for buildings and others (Note 4) | 2,232 | Security deposit | 1,832 |
| | Dainichi Can Co., Ltd. | — | Purchase of metallic containers, and others | Purchase of metallic containers and others (Note 5) | 459 | Electronically recorded obligations, accounts payable-trade, and accounts payable-other | 192 |
| | | | | Sales of merchandise and finished goods, and offering of service (Note 6) | 67 | Trade notes and accounts receivable | 16 |
| | Nissin Trading Co., Ltd. | — | Purchase of raw materials, and others | Purchase of raw materials and others (Note 7) | 6,936 | Electronically recorded obligations, accounts payable-trade, and accounts payable-other | 1,720 |
| | | | | Sale of merchandise and finished goods, and offering of service (Note 6) | 3,803 | Accounts receivable-trade and accounts receivable-other | 1,480 |

(Notes)

1. Excluding consumption taxes.
2. Including consumption taxes.
3. Yoshihisa Kawamura, a director of the Company, and his close relatives substantially own a majority of the voting rights of Nissei Real-Estate Co., Ltd.. Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd..
4. “Rental of buildings and others” 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” are 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 | 3,147.97 |
| Earnings per share | 186.62 |

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.