To our shareholders:

Items Disclosed via the Internet Concerning the Notice of Convocation of the 123rd Annual General Meeting of Shareholders

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Non-Consolidated Statement of Changes in Net Assets
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

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Consolidated Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2020	**96,557**	**94,456**	**218,209**	**(1,823)**	**407,398**
Change in FY 2020					
Dividends from surplus			(8,531)		(8,531)
Net income attributable to owners of the parent			13,233		13,233
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares				28	28
Change in scope of equity method			(3,133)		(3,133)
Change in ownership interest of parent due to transactions with non-controlling interests		12			12
Net changes of items other than shareholders' equity					
Total change in FY 2020	－	**12**	**1,569**	**23**	**1,605**
Balance at December 31, 2020	**96,557**	**94,468**	**219,778**	**(1,800)**	**409,003**

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income		
Balance at January 1, 2020	**1,676**	**683**	**(72,671)**	**(24,346)**	**(94,658)**	**30,757**	**343,497**
Change in FY 2020							
Dividends from surplus							(8,531)
Net income attributable to owners of the parent							13,233
Purchase of treasury shares							(5)
Disposal of treasury shares							28
Change in scope of equity method							(3,133)
Change in ownership interest of parent due to transactions with non-controlling interests							12
Net changes of items other than shareholders' equity	1,227	1,785	(9,650)	10,784	4,147	2,116	6,262
Total change in FY 2020	**1,227**	**1,785**	**(9,650)**	**10,784**	**4,147**	**2,116**	**7,868**
Balance at December 31, 2020	**2,903**	**2,468**	**(82,321)**	**(13,562)**	**(90,511)**	**32,873**	**351,364**

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Notes to Consolidated Financial Statements

Ⅰ. Significant Accounting Policies

1. Scope of Consolidation
   Number of consolidated subsidiaries 152
   (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: 5 companies Sun Chemical Advanced Materials SA. and others (acquisition of shares)
   Decrease: 4 companies DIC Merchinary&Printer's Suppulies. Inc. and others (merge)

2. Scope of Equity Method
   Number of companies accounted for by the equity method 20
   (TAIYO HOLDINGS CO. LTD. and others)

   Change in scope of equity method
   Increase: None
   Decrease: 2 companies RENAISSANCE INCORPORATED. and the other (voting right ratio decreased)

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

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.

(d)Right-of-use assets

Right-of-use assets are depreciated using straight-line method with no residual value from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(3) Standards for Accrual

(a) Allowance for doubtful accounts

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

(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 (7-25 years). Past service costs are amortized over 22-25 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 that 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.

(8)Consolidated taxation system

The Company and some of its subsidiaries have adopted the consolidated taxation system, with the Company registered as the consolidated taxation parent company.

(9)Tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

Concerning items which transitioned to the group tax sharing system and those for which the nonconsolidated tax payment system were reviewed in line with the transition to the group tax sharing system, which was established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No.8 of 2020), the Company and some of its domestic consolidated subsidiaries have not applied the provisions stipulated in Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment set out Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System"(PITF No .39, March 31, 2020). Instead, they have applied the provisions of the tax regime before the revision to calculate the amounts of deferred tax assets and deferred tax liabilities.

5. Amortization of Goodwill

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

6. Changes in Accounting Policies

(Adoption of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements and other standards)

The "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements" (Practical Issues Task Force (PITF) No. 18,June 28, 2019) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, September 14, 2018) have been applied from the beginning of the fiscal year. As a result of this application, in case that overseas subsidiaries that adopt International Financial Reporting Standards (IFRS) 9 "Financial Instruments" have elected to present subsequent changes in fair value of equity instruments in other comprehensive income, the amounts of gain or loss on sale or impairment losses of such equity instruments will be adjusted as gain or loss for the period for consolidated accounting.

As a result, the application of Practical Issues Task Force (PITF) No. 18, etc., has no material impact on consolidated financial statements and per share information for the fiscal year.

7. 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, respectively, and ¥549 million and 139 thousand as of December 31, 2020, 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

In the first quarter of 2021

(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.
3. The closing of this transaction is pending approval by the U.S. Federal Trade Commission, there is a possibility that execution will be rescheduled to the first half of 2021 as a consequence of ongoing approval procedures.

(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 (€1,150 million) 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.
3. The exchange rate used is ¥118.00/€1.00. This figure has been rounded.

(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. Thus, the Company decided to finance through a subordinated term loan. DIC has no plans to raise funds using equity financing.

(Financing through a Subordinated Term Loan)

Procurement of a total of ¥60 billion through a subordinated term loan (“the subordinated loan”) was approved at a meeting of the Company’s Board of Directors held on March 24, 2020.

(1) Purpose and significance of the subordinated loan

The Company had resolved to acquire the shares and assets of the Colors & Effects business of German firm BASF SE on August 29, 2019.

With regard to the method of procuring funds for this acquisition, the Company planned to choose an approach that would avoid a decline in capital efficiency due to stock dilution and enable it to maintain financial soundness. Having since explored hybrid financing, the Company made the decision to use a subordinated loan. Also, the Company currently has no plans to raise funds through the issue of new shares (equity financing).

(2) Characteristics of the subordinated loan

A subordinated loan is a type of hybrid financing midway between equity and debt. Accordingly, while classified as debt, it has characteristics similar to equity. As a result, the subordinated loan will be eligible for recognition by credit rating agencies as having equity credit attributes to a certain extent, enabling the Company to strengthen its financial base without causing stock dilution. Specifically, the Company expects 50% of the total amount procured to be assessed as having equity credit attributes by the Japan Credit Rating Agency, Ltd.

(3) Summary of the subordinated loan

Total amount procured	¥60 billion
Contract date	March 31, 2020
Drawdown date (*1)	Any date within one year of the contract date
Use of funds procured	Business acquisition
Due date	60 years from the drawdown date
Early repayment (*2)	The Company may repay before the due date all or part of the principal on each interest payment date five years from the drawdown date or later, or in certain other specified circumstances.

Applicable interest rate	From drawdown date up to the 10th year, at base floating interest rate plus the initial spread. From the 10th year up to the 25th year, at base floating interest rate plus a 0.25% step-up from the initial spread. From the 25th year on, at base floating interest rate plus a 1.00% step-up from the initial spread.
Interest deferral clause	The Company may defer payment of interest.
Subordination clause	The creditors of the subordinated loan shall have a claim subordinated to that of other senior debt creditors in the event of the Company's liquidation, bankruptcy, corporate reorganization or civil rehabilitation proceedings under Japanese law or any equivalent proceedings under any laws other than Japanese law. Any provisions stipulated in the subordinated loan agreement shall not be amended in any manner detrimental to any of the Company's creditors other than the creditors of the subordinated loan.
Lenders	MUFG Bank, Ltd., Mizuho Bank, Ltd., etc.
Assessment of equity credit attributes	Japan Credit Rating Agency: Medium / 50%

*1 As described in "*The acquisition of the shares and assets of a pigments business from BASF SE and transformation of the business into a subsidiary,* (4), Note 3", there is a possibility that execution will be rescheduled to the first half of 2021. Therefore, there is a possibility that the drawdown date will be rescheduled to any date up to and including June 30, 2021.

*2 In the case of early repayment of the subordinated loan, the Company anticipates procuring funds through the issue of common stock or debt (refinancing securities) approved by rating agencies as having equity credit attributes equivalent to or higher than the subordinated loan. However, if the Company satisfies certain financial requirements when early repayment is made five years after the drawdown date or later, it may defer the procurement of funds through refinancing securities.

(Accounting estimates associated with the spread of COVID-19)

Owing to the COVID-19 pandemic, global economic growth slowed in the second quarter (April 1-June 30, 2020) and the third quarter (July 1-September 30, 2020), as a result of which shipments fell in multiple areas. However, shipments of many products, notably materials for use in automobiles and publication inks, recovered in the fourth quarter (October 1-December 31, 2020). Although the impact of the spread of COVID-19 varies by region and business, the Company has made accounting estimates such as impairment of non-current assets and recoverability of deferred tax assets based on assumption that economic conditions will gradually recover in fiscal year 2021 and has assumed that an impact on the estimates would not be significant as of December 31, 2020. However, due to uncertainties in the application of such assumption to the estimates above, unexpected changes in the recovery time for COVID-19 or its impact on the economic environment may affect thefinancial position, operating results and cash flows of the Company in the future.

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Ⅱ. Notes to Consolidated Balance Sheet

(Millions of yen)

1. Accumulated Depreciation of Property, Plant and Equipment	567,341

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	2,597
Inventories	1,447
Buildings and structures	907
Land	2,200
Total	7,166

(b) Secured liabilities

(Millions of yen)

Current portion of long-term loans payable	75
Long-term loans payable	620
Total	695

3. Contingent Liabilities

(Millions of yen)

(a) Liability for guarantee	560

Ⅲ. Notes to Consolidated Statements of income

(1) Loss on bussiness liquidation

In relation to a divesture of high-performance pigment business based at US., the Company recognized a loss on business liquidation which it expects to incur on the disposal on assets. The Company has entered into an agreement with the German company BASF to acquire the shares and assets of the latter's Color& Effect business, and is currently working with BASF to close this transaction in the first quarter of 2021. The divesture is being undertaken to ensure compliance with relevant antitrust law.

Ⅳ. 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 26, 2020 Annual General Meeting of Shareholders	Common stock	3,792	40	December 31, 2019	March 27, 2020
August 11, 2020 Meeting of the Board of Directors	Common stock	4,740	50	June 30, 2020	September 1, 2020
Total		8,531			

Notes: 1. The total amount of dividends 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).
2. The total amount of dividends resolved at the meeting of the board of directors held on August 11, 2020 includes dividends of ¥7 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 30, 2021 Annual General Meeting of Shareholders	Common stock	Retained earnings	4,739	50	December 31, 2020	March 31, 2021

Note: The total amount of dividends to be resolved at the annual general meeting of shareholders held on March 30, 2021 includes dividends of ¥7 million for the Company's shares held by the Board Benefit Trust (BBT).

Ⅴ. 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, 2020. 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	44,885	44,885	−
②	Notes and accounts receivable-trade	197,595	197,595	−
③	Investment securities			
	Stocks of affiliates	22,318	34,322	12,004
	Available-for-sale securities	12,859	12,859	−
Assets total		277,658	289,662	12,004
①	Notes and accounts payable-trade	95,263	95,263	−
②	Short-term loans payable	10,275	10,275	−
③	Current portion of long-term loans payable	27,096	27,096	−
④	Lease obligations (current)	1,061	1,061	−
⑤	Income taxes payable	4,985	4,985	−
⑥	Bonds payable	100,000	100,314	314
⑦	Long-term loans payable	123,766	123,918	152
⑧	Lease obligations (non-current)	4,543	4,783	240
Liabilities total		366,989	367,695	706
Derivative financial instruments (*1)				
①	Hedge accounting - Not applied	21	21	−
②	Hedge accounting - Applied	3,565	3,565	−
Derivative financial instruments total		3,586	3,586	−

(*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, ④ Lease obligations (current), 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.

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 ¥22,023 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."

Ⅵ. Per Share Information

	(Yen)
Equity per share	3,364.92
Earnings per share	139.81

(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 139,000 as of December 31, 2020, while the weighted-average number of treasury shares issued during the fiscal year excluded from the calculation of earnings per share was 140,038 for the fiscal year ended December 31, 2020.

Ⅶ. Others

Japanese yen amounts are rounded to the nearest million.

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Non-Consolidated Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' equity											
		Capital surplus		Retained earnings								
				Other retained earnings								
	Capital stock	Legal capital surplus	Total capital surplus	Reserve for tax deferment of subsidies	Reserve for tax deferment of insurance gains	Reserve for special account for tax deferment of insurance gains	Reserve for tax deferment of capital gains from eminent domain	Reserve for reduction entry of replaced property	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2020	**96,557**	**94,156**	**94,156**	**145**	**7**	**154**	**855**	**4,590**	**103,757**	**109,508**	**(1,823)**	**298,397**
Change in FY 2020												
Reversal of reserve for tax deferment of subsidies				(25)					25	–		–
Reversal of reserve for tax deferment of insurance gains					(0)				0	–		–
Reversal of reserve for tax deferment of capital gains from eminent domain							(22)		22	–		–
Reversal of reserve for reduction entry of replaced property								(230)	230	–		–
Dividends from surplus									(8,531)	(8,531)		(8,531)
Net income									6,930	6,930		6,930
Purchase of treasury shares											(5)	(5)
Disposal of treasury shares											28	28
Net changes of items other than shareholders' equity												
Total change in FY 2020	–	–	–	**(25)**	**(0)**	–	**(22)**	**(230)**	**(1,324)**	**(1,601)**	**23**	**(1,577)**
Balance at December 31, 2020	**96,557**	**94,156**	**94,156**	**120**	**7**	**154**	**834**	**4,360**	**102,433**	**107,907**	**(1,800)**	**296,820**

	Valuation and translation adjustments			
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at January 1, 2020	**1,327**	**(1,784)**	**(457)**	**297,940**
Change in FY 2020				
Reversal of reserve for tax deferment of subsidies				–
Reversal of reserve for tax deferment of insurance gains				–
Reversal of reserve for tax deferment of capital gains from eminent domain				–
Reversal of reserve for reduction entry of replaced property				–
Dividends from surplus				(8,531)
Net income				6,930
Purchase of treasury shares				(5)
Disposal of treasury shares				28
Net changes of items other than shareholders' equity	1,361	2,365	3,726	3,726
Total change in FY 2020	**1,361**	**2,365**	**3,726**	**2,148**
Balance at December 31, 2020	**2,688**	**581**	**3,269**	**300,089**

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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 product warranties

Provision for product warranties is provided based on the amount expected to be expensed for warranties of products.

(5) 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).

(6) 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.

(7) 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.Consolidated taxation system

The Company has adopted the consolidated taxation system.

11. Tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

Concerning items which transitioned to the group tax sharing system and those for which the nonconsolidated tax payment system were reviewed in line with the transition to the group tax sharing system, which was established under the “Act for Partial Amendment of the Income Tax Act,etc.” (Act No.8 of 2020), the Company has not applied the provisions stipulated in paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment set out Paragraph 3 of the “Practical Solution on the Treatment of tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020). Instead, the Company has applied the provisions of the tax regime before the revision to calculate the amounts of deferred tax assets and deferred tax liabilities.

12. 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.

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 “7. Additional Information” of the notes to consolidated financial statements contains the same description.

(Financing through a Subordinated Term Loan)

The notes concerning the financing through a subordinated term loan are omitted, as “7. Additional Information” of the notes to consolidated financial statements contains the same description.

(Accounting estimates associated with the spread of COVID-19)

Owing to the COVID-19 pandemic, global economic growth slowed in the second quarter (April 1-June 30, 2020) and the third quarter (July 1-September 30, 2020), as a result of which shipments fell in multiple areas. However, shipments of many products, notably materials for use in automobiles and publication inks, recovered in the fourth quarter (October 1-December 31, 2020). Although the impact of the spread of COVID-19 varies by region and business, the Company has made accounting estimates such as impairment of non-current assets and recoverability of deferred tax assets based on assumption that economic conditions will gradually recover in fiscal year 2021 and has assumed that an impact on the estimates would not significant as of December 31, 2020. However, due to uncertainties in the application of such assumption to the estimates above, unexpected changes in the recovery time for COVID-19 or its impact on the economic environment may affect the financial position, operating results and cash flows of the Company in the future.

Ⅱ. Notes to Non-Consolidated Balance Sheet

(Millions of yen)

1. Accumulated Depreciation of Property, Plant and Equipment 285,962

2. Contingent Liabilities and Others

(Millions of yen)

Guaranteed party	Amount	Contents of guarantee
DIC Graphics Corporation	2,369	Purchase liabilities
DIC Decor, Inc.	1,512	Purchase liabilities
DIC Plastics, Inc.	931	Purchase liabilities
CAST FILM JAPAN CO., LTD.	525	Loans from financial institutions
Three companies and others	524	Loans from financial institutions and others
Total	5,861	

(Millions of yen)

3. Short-term receivables from subsidiaries and affiliates 37,910
   Short-term liabilities to subsidiaries and affiliates 72,626
   Long-term liabilities to subsidiaries and affiliates 238

Ⅲ. Notes to Non-Consolidated Statement of Income

Transactions with subsidiaries and affiliates

(Millions of yen)

Sales	43,597
Purchases	26,773
Other transactions	6,255

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

Type and number of treasury stock, at cost

(Shares)

	As of January 1, 2020	Increase in FY 2020	Decrease in FY 2020	As of December 31, 2020
Common stock	511,622	1,900	7,200	506,322
Total	511,622	1,900	7,200	506,322

(Notes)

1. The shares held by the Board Benefit Trust (139,000 shares) are included in the number of treasury shares.
2. The increase of treasury shares of common stock (1,900 shares) was due to the purchase of odd-lot shares.
3. The decrease of treasury shares of common stock (7,200 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, 2020 is as follows:

	(Millions of yen)
Stocks of subsidiaries and affiliates	1,703
Inventory	1,206
Provision for bonuses	1,154
Others	4,044
Subtotal deferred tax assets	8,107
Valuation allowance	(3,269)
Total deferred tax assets	4,838

	(Millions of yen)
Deferred income taxes related to gains from property, plant and equipment	(2,414)
Gain on contribution of securities to retirement benefit trust	(1,255)
Valuation difference on available-for-sale securities	(1,201)
Others	(3,165)
Total deferred tax liabilities	(8,035)
Total deferred tax assets (net)	(3,197)

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)	15,941	Accounts receivable-other	4,236
				Loan transaction (Note 4)	13,143	Short-term loans payable	15,658
	DIC INVESTMENTS JAPAN, LLC.	Owning Direct 100%	Loan transaction Dispatch of officer	Loan transaction (Note 4)	35,399	Short-term loans payable	35,504

(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.

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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)	2,217	Security deposit	1,832
	Dainichi Can Co., Ltd.	—	Purchase of metallic containers, and others	Purchase of metallic containers and others (Note 5)	413	Electronically recorded obligations, accounts payable-trade, and accounts payable-other	182
				Sales of merchandise and finished goods, and offering of service (Note 6)	43	Note receivable-trade and Account receivable-trade	15
	Nissin Trading Co., Ltd.	—	Purchase of raw materials, and others	Purchase of raw materials and others (Note 7)	6,300	Electronically recorded obligations, accounts payable-trade, and accounts payable-other	1,245
				Sale of merchandise and finished goods, and offering of service (Note 6)	3,375	Accounts receivable-trade and accounts receivable-other	1,380

(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	3,170.49
Earnings per share	73.22

(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. Notes to significant subsequent events

On December 31, 2020, DIC held 50% share of common stocks (excluding treasury stocks) of KANGNAM CHEMICAL. KANGNAM CHEMICAL was established in 1971 in a joint venture between DIC and KANGNAM JEVISCO CO., LTD. (previously known as KUNSUL CHEMICAL INDUSTRIAL CO., LTD.), and is engaged primarily in the manufacture and sale of general-purpose polyurethane and phenolic resins.
On February 5, 2021 DIC and KANGNAM JEVISCO CO decided to dissolve the joint venture agreement under which KANGNAM CHEMICAL was created. Based on this agreement, DIC retired its 700,000 shares in equity-method affiliate KANGNAM CHEMICAL CO., LTD., via a capital reduction—whereby KANGNAM CHEMICAL will purchase all of the shares currently held by DIC at the price of ¥11,280 million. As a result, about ¥10.8 billion of gain on sales of subsidiaries and affiliates securities will be recognized as extraordinary income in consolidated income statement in fiscal year 2021, ending December 31, 2021.

Ⅸ. Others

Japanese yen amounts are rounded to the nearest million.