To our shareholders:

Items Not Included in Documents Delivered Concerning the Notice of Convocation of the 125th Annual General Meeting of Shareholders

<Consolidated Financial Statements>

Consolidated Statement of Changes in Net Assets
Notes to Consolidated Financial Statements

<Non-Consolidated Financial Statements>

Non-Consolidated Statement of Changes in Net Assets
Notes to Non-Consolidated Financial Statements

The items listed above are posted on each website on the Internet which are described on page 3 of "Notice of Convocation" pursuant to the applicable laws and regulations and Article 15, Paragraph 2 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, 2022	**96,557**	**94,468**	**214,665**	**(1,780)**	**403,910**
Change in FY 2022					
Dividends from surplus			(9,479)		(9,479)
Net income attributable to owners of the parent			17,610		17,610
Purchase of treasury shares				(6)	(6)
Change in ownership interest of parent due to transactions with non-controlling interests		(234)			(234)
Net changes of items other than shareholders' equity					
Total change in FY 2022	**—**	**(234)**	**8,131**	**(6)**	**7,892**
Balance at December 31, 2022	**96,557**	**94,234**	**222,796**	**(1,785)**	**411,802**

	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, 2022	**5,449**	**92**	**(55,456)**	**(8,067)**	**(57,983)**	**35,081**	**381,008**
Change in FY 2022							
Dividends from surplus							(9,479)
Net income attributable to owners of the parent							17,610
Purchase of treasury shares							(6)
Change in ownership interest of parent due to transactions with non-controlling interests							(234)
Net changes of items other than shareholders' equity	(88)	602	38,170	(5,506)	33,178	(989)	32,188
Total change in FY 2022	**(88)**	**602**	**38,170**	**(5,506)**	**33,178**	**(989)**	**40,080**
Balance at December 31, 2022	**5,360**	**694**	**(17,286)**	**(13,573)**	**(24,805)**	**34,091**	**421,088**

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Notes to Consolidated Financial Statements

I. Notes to Significant Accounting Policies

1. Scope of Consolidation
   Number of consolidated subsidiaries 169
   (Sun Chemical Group Coöperatief U.A., DIC (CHINA) CO., LTD., DIC Asia Pacific Pte Ltd, Colors & Effects USA LLC, SEIKO PMC CORPORATION, DIC INVESTMENTS JAPAN, LLC., DIC Graphics Corporation, and others)

   Change in scope of consolidation
   Increase: 4 companies Guangdong DIC TOD Resins Co., Ltd. and others (acquisition of shares, etc.)
   Decrease: 3 companies Finape S.r.l. and others (absorption-type merger, etc.)

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: None

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
   Other securities
   Securities with a readily determinable market value:
   Stated at fair market value (with any unrealized gains or losses being reported directly as a component of shareholder’s equity and the cost of any securities sold being computed by the moving-average method).

   Securities with no readily determinable market value:
   Stated at cost, with cost being determined 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)

DIC Corporation (the "Company") and its consolidated domestic subsidiaries:

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

Consolidated foreign 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, 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 the straight-line method with a useful life determined 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 and no residual value.

(3) Standards for Provisions

(a) Allowance for doubtful accounts

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.

(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 consolidated domestic 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 and its consolidated subsidiaries (the "Group") apply a method of attributing expected retirement benefits to each period on a benefit formula basis.

The Company and its consolidated domestic subsidiaries amortize actuarial gains and losses in the succeeding years primarily by the straight-line method over the stated years that do not exceed the average remaining

service period of the eligible employees (13 years). Past service costs are expensed in the accounting periods when they are incurred.
Consolidated foreign subsidiaries amortize actuarial gains and losses in the succeeding years primarily by the straight-line method over the stated years that do not exceed the average remaining service period of the eligible employees (5-20 years). Past service costs are amortized over 9-25 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) Revenue and expense recognition standards

The Group conducts business activities in three segments, “Packaging & Graphic”, “Color & Display” and “Functional Products”, and mainly provide merchandise and products to domestic and overseas customers.
With regard to the sales of merchandise and products in these business fields, the Group recognizes revenue at the time of delivery of merchandise or products because it considers that the customer obtains control over the merchandise or products and performance obligations are satisfied at the time of delivery of the merchandise or products.
Revenue is recognized at the amount of consideration promised in the contract with the customer, less consideration such as returns, rebates and others, to the extent that there is a high probability of no material reversal of revenue. In regards to buy-sell transactions that fall under the buy-back agreement, the amount of raw materials at the end of the fiscal period that are provided to transaction partners is continually recognized as inventory, and the amount of supplied materials at the end of fiscal period that remain at transaction partners is recognized as buy-back obligations at the same time.
Furthermore, transaction consideration is generally received within one year after performance obligations are satisfied and important financing components are not included.

(6) 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 consolidated foreign 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.

(7) 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.

(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.

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(9) Application of Tax Effect Accounting for Transition from the Consolidated Taxation System to the Group Tax-Sharing System

The Company and certain domestic consolidated subsidiaries will transfer from the consolidated taxation system to the group tax-sharing system from the fiscal year ending December 31, 2023. However, with regard to the items for which a review of the non-consolidated taxation system was made in accordance with the transition to the group tax-sharing system established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the transition to the group tax-sharing system, pursuant to the treatment of paragraph 3 of "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), the provisions of paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) do not apply to the Company and certain domestic consolidated subsidiaries, and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment.

From the beginning of the fiscal year ending December 31, 2023, the Company and certain domestic consolidated subsidiaries will apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax-Sharing System" (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case of applying the group tax-sharing system.

5. Amortization of Goodwill

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

6. 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 has introduced a new performance-based stock compensation plan called BBT (the "Plan") since 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 with 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 ¥520 million and 132 thousand as of December 31, 2021, respectively, and ¥520 million and 132 thousand as of December 31, 2022, respectively.

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

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 2023 and has assumed that an impact on the estimates would not be significant as of December 31, 2022.

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 Change in Accounting Policies

(Application of "Accounting Standard for Revenue Recognition")

The Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and others effective from the beginning of the fiscal year ended December 31, 2022, and recognize revenue from goods or services which the Company and its domestic consolidated subsidiaries have promised to provide at an amount expected to be received when control over the goods or services is transferred to a customer. Previously, items supplied to a customer for a fee were reduced from merchandise and finished goods upon delivery. With the adoption of the Accounting Standard for Revenue Recognition, such items are no longer reduced from merchandise and finished goods if the Company and its domestic consolidated subsidiaries are obligated to repurchase the supplied items. Considerations such as rebates, which were previously accounted for in selling, general and administrative expenses, are now deducted from the transaction price.

The application of the Accounting Standard for Revenue Recognition follows the transitional treatment stipulated in the proviso of Article 84 of the accounting standard. The cumulative effects of retroactively applying the new accounting standard to results prior to the beginning of the fiscal year ended December 31, 2022, was added to or subtracted from retained earnings at the beginning of the period, and the new accounting standard is applied from this initial balance. The impact of this change on consolidated net sales, operating income, ordinary income and net income in the fiscal year ended December 31, 2022, was negligible and the impact on retained earnings at the beginning of the period was nonexistent. Due to the impact on per share information being immaterial, related information is omitted.

(Application of "Accounting Standard for Fair Value Measurement")

The Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and others effective from the beginning of the fiscal year ended December 31, 2022, and have resolved to apply the new accounting policies set forth therein going forward in accordance with the transitional treatment stipulated in Paragraph 44-2 and Article 19 of the accounting standard. This has no impact on the consolidated financial statements.

In addition, notes including matters related to the breakdown of the financial instruments by level are made in notes of "Financial instruments".

(Application of "ASC Topic 842")

Consolidated subsidiaries of the Company outside of Japan adopted "Accounting Standards Codification (ASC)

Topic 842" ("Leases") effective from the fiscal year ended December 31, 2022. As a result, all lease assets and liabilities associated with leases for which such a subsidiary is the lessee are, in principle, recorded in the balance sheets. In accordance with the transitional treatment stipulated in ASC Topic 842, the cumulative monetary effects of the application of this accounting standard were recognized as an adjustment to the consolidated balance of retained earnings at the beginning of the fiscal year ended December 31, 2022. There was no impact on the balance of retained earnings.

As a result of the adoption, as of December 31, 2022, consolidated total property, plant and equipment, a net figure, in non-current assets rose ¥11,685 million, lease obligations in current liabilities increased ¥3,506 million, and lease obligations in non-current liabilities advanced ¥8,456 million.

With the adoption of ASC Topic 842, assets previously recognized in "Other" in intangible assets were reclassified as right-of-use assets. As a result, as of December 31, 2022, consolidated total property, plant and equipment, a net figure, in non-current assets rose ¥5,952 million, while "Other" in intangible assets declined the same amount.

The impact on consolidated operating income, ordinary income and income before income taxes and non-controlling interests was negligible. Due to that the impact on per share information being immaterial, related information is omitted.

III. Notes to Accounting Estimates

1. Purchase Price Allocation of the C&E Pigments Business (Formerly the Colors & Effects Business of Germany's BASF SE)

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2022

The details and amounts of the revision of the initial allocation of acquisition costs in accordance with the finalization of this preliminary accounting treatment are as follows:

Goodwill (before adjustment)	¥19,598 million
Adjusted amount of goodwill	
Current assets	2,362 million
Non-current assets	149 million
Current liabilities	(889 million)
Non-current liabilities	(1,679 million)
Total revised amount	(58 million)
Goodwill (after revision)	¥19,540 million

(2) Information on significant accounting estimates for the identified items

(a) Method of calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

Revision of the allocation of acquisition costs of C&E pigments business in accordance with the finalization of this preliminary accounting treatment was completed in the current fiscal year.

In the process of the purchase price allocation, the fair value of property, plant and equipment, as well as intangible assets are calculated by the cost approach, the income approach such as the relief-from-royalty method, the market approach and other methods according to the type of assets.

Goodwill is calculated by subtracting identifiable assets accepted and liabilities assumed from the acquisition cost.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

In estimating the fair value of the property, plant and equipment as of the acquisition date, the market value, replacement cost, estimated future cash flows generated by the target assets and discount rates are used as significant assumptions.

In estimating the fair value of intangible assets as of the acquisition date, the market value, royalty rates, estimated future cash flows generated by the target assets and discount rates are used as significant assumptions.

(c) Impact on the consolidated financial statements for the year ending December 31, 2023

Although the fair values are determined based on management's best estimates, they may be affected by changes in uncertain future economic conditions. There is a risk that this could cause a significant impact on the valuation of property, plant and equipment and intangible assets.

2. Purchase Price Allocation of Guangdong DIC TOD Resins Co., Ltd. ("Guangdong TOD")

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2022

Property, plant and equipment	¥3,981 million
Intangible assets	5,478 million
Goodwill	10,897 million

(2) Information on significant accounting estimates for the identified items

(a) Method of calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

Primary assets and each amount recorded on consolidated financial statements are as follows.

Primary assets		Amount recorded on consolidated financial statements
Property, plant and equipment	Buildings and structures	¥1,883 million
	Machinery, equipment and vehicles	¥1,328 million
	Land	¥672 million
Intangible assets	Customer-related assets	¥3,137 million
	Trademarks	¥1,752 million
	Technologies and related assets	¥570 million

In the process of the purchase price allocation, the fair value of property, plant and equipment, as well as intangible assets is calculated using the income approach such as the multiperiod excess earnings method or the relief-from-royalty method, the cost approach and the market approach according to the type of assets.

Goodwill is calculated by subtracting identifiable assets accepted and liabilities assumed from the acquisition cost.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

In estimating the fair value of property, plant and equipment as of the acquisition date, the market value, economic useful life and others are used as significant assumptions.

In estimating the fair value of intangible assets as of the acquisition date, the attrition rate to existing customers, royalty rates, estimated future cash flows generated by the target assets, and discount rates are used as significant assumptions.

(c) Impact on the consolidated financial statements for the year ending December 31, 2023

Although the fair values are determined based on management's best estimates, they may be affected by changes in uncertain future economic conditions. There is a risk that this could cause a significant impact on the valuation of property, plant and equipment and intangible assets.

3. Valuation of Goodwill

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2022

	As of December 31, 2021	As of December 31, 2022
Goodwill	¥20,182 million	¥33,641 million

(2) Information on significant accounting estimates for the identified items

(a) Goodwill related to C&E pigments business

The carrying amount of goodwill related to the C&E pigments business was ¥20,343 million at the end of the current fiscal year. The goodwill related to this business is tested for impairment every year, and the discounted present value of future cash flows, etc. must be estimated in order to calculate the fair value of the reporting unit, including the goodwill. The key assumptions in estimating the discounted present value of future cash flows, etc. are the business plan, revenue growth rate, discount rate and long-term growth rate.

These assumptions include management's judgment, and as such, a rapid worsening of economic or business conditions could have a significant impact on the consolidated financial statements in the following fiscal year.

(b) Goodwill related to Guangdong TOD

The carrying amount of goodwill recorded as a result of the acquisition of Guangdong TOD was ¥9,948 million at the end of the current fiscal year. The goodwill related to this business is tested for impairment every year, and the discounted present value of future cash flows, etc. must be estimated in order to calculate the recoverable amount of the group of cash generating units, including the goodwill. The key assumptions in estimating the discounted present value of future cash flows, etc. are the business plan, market growth rate, revenue growth rate and discount rate.

These assumptions include management's judgment, and as such, a rapid worsening of economic or business conditions could have a significant impact on the consolidated financial statements in the following fiscal year.

4. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2022

Deferred Tax Assets ¥16,419 million

(The balance before offsetting deferred tax liabilities is ¥43,299 million.)

The amount of net operating loss carryforwards and future deductible temporary difference for which deferred tax assets have not been recognized is ¥45,752 million.

(2) Information on significant accounting estimates for the identified items

(a) Method of calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

In recognizing deferred tax assets, the Group considers the extent to which it is probable that future taxable income will be available against the deductible temporary differences, and unused tax loss carryforwards can be utilized.

Among the subsidiaries, Sun Chemical Group, which is mainly based in Americas and Europe, applies the guidance ASC 740, “Income Taxes”. Sun Chemical Group recorded deferred tax assets of ¥34,537 million, before offsetting against deferred tax liabilities. The amount occupies a large percentage of the consolidated total.

The amount of net operating loss carryforwards and future deductible temporary differences for which deferred tax assets have not been recognized is ¥41,154 million.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

The amount of recoverable deferred tax assets in the Group is estimated based on not only past taxable income levels, but also forecasts of future taxable income based on the business plan during the deductible period of deductible temporary differences and unused tax loss carry forwards.

For the business plan, expected sales revenue, raw material price and foreign exchange market trends are used as significant assumptions.

(c) Impact on the consolidated financial statements for the year ending December 31, 2023

The assumptions may be affected by changes in uncertain economic conditions, including the impact of the COVID-19 pandemic. If the results differ from initial estimates, this could have a significant impact, as it will be necessary to record or reverse deferred tax assets in the consolidated financial statements for the following fiscal year.

IV. Notes to Consolidated Balance Sheet

	(Millions of yen)
1. Accumulated Depreciation of Property, Plant and Equipment	642,990

2. Assets Pledged for Collateral and Secured Liabilities

(1) Assets pledged for collateral

	(Millions of yen)
Cash and deposits	37
Notes and accounts receivable - trade	4,003
Inventories	1,824
Buildings and structures	1,004
Land	2,584
Non-current assets other	532
Total	9,985

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(2) Secured liabilities

	(Millions of yen)
Current portion of long-term loans payable	86
Long-term loans payable	559
Total	645

3. Contingent Liabilities and Others

	(Millions of yen)
Liability for guarantee	689

V. 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 29, 2022, Annual General Meeting of Shareholders	Common stock	4,739	50	December 31, 2021	March 30, 2022
August 10, 2022, Meeting of the Board of Directors	Common stock	4,739	50	June 30, 2022	September 1, 2022
Total		9,479			

Notes: 1. The total amount of dividends resolved at the annual general meeting of shareholders held on March 29, 2022, includes dividends of ¥7 million for the Company's shares held by the BBT.
2. The total amount of dividends resolved at the meeting of the board of directors held on August 10, 2022, includes dividends of ¥7 million for the Company's shares held by the 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, 2023, Annual General Meeting of Shareholders	Common stock	Retained earnings	4,739	50	December 31, 2022	March 30, 2023

Note: The total amount of dividends to be resolved at the annual general meeting of shareholders held on March 29, 2023, includes dividends of ¥7 million for the Company's shares held by the BBT.

VI. Notes to Financial Instruments

1. Status of Financial Instruments

The Group is managing funds with safe and secure financial assets. Means of financing include direct financings 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 Group applies 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, 2022.

(Millions of yen)

		Carrying Amount	Fair Value	Difference
①	Investment securities (*2)			
	Stocks of affiliates	24,362	25,132	770
	Available-for-sale securities	15,540	15,540	—
Assets total		39,902	40,672	770
①	Current portion of bonds payable	30,000	29,983	(17)
②	Current portion of long-term loans payable	35,928	35,926	(2)
③	Bonds payable	110,000	107,363	(2,637)
④	Long-term loans payable	260,259	258,403	(1,856)
⑤	Lease obligations (non-current)	12,479	12,536	57
Liabilities total		448,666	444,211	(4,455)
Derivative financial instruments (*3)				
①	Hedge accounting - Not applied	(7,145)	(7,145)	—
②	Hedge accounting - Applied	1,413	1,413	—
Derivative financial instruments total		(5,732)	(5,732)	—

(*1) Cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term loans payable, commercial papers, income taxes payable and lease obligations (current) are cash and are settled in a short period of time, as a result of which their fair values approximate their book values. Accordingly, they are omitted.

(*2) Financial instruments that do not have market prices are not included in “Investment securities.” The consolidated balance sheet amount of these financial instruments is as follows:

	As of December 31, 2022 (Millions of yen)
Unlisted stocks	23,917

(*3) Net receivables and payables arising from derivative transactions are presented as net amounts and any item for which the total becomes a net obligation is indicated in parentheses.

3. Details of the level of financial instruments by fair value

The fair values of financial instruments are classified using a three-level hierarchy based on the observability and significance of valuation inputs to measure fair value.

Level 1: Fair value is measured using quoted prices for identical assets or liabilities in active markets

Level 2: Fair value is measured using inputs that are observable either directly or indirectly other than those included in Level 1.

Level 3: Fair value is measured using significant unobservable inputs.

If multiple valuation inputs with significant impact are used to measure the fair value measurement of a financial instrument, the instrument is classified based on the lowest level of the fair value hierarchy to which each input belongs.

(1) Financial instruments carried at fair value on the balance sheet

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment Securities				
Available-for-sale securities Stocks	15,540	—	—	15,540
Assets total	15,540	—	—	15,540
Derivative financial instruments				
① Hedge accounting - not applied	—	(7,145)	—	(7,145)
② Hedge accounting - applied	—	1,413	—	1,413
Derivative financial instruments total	—	(5,732)	—	(5,732)

(2) Financial instruments other than those carried at fair value on the balance sheet

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment Securities				
Stocks of affiliates	25,132	—	—	25,132
Assets total	25,132	—	—	25,132
Current portion of bonds payable	—	29,983	—	29,983
Current portion of long-term loans payable	—	35,926	—	35,926
Bonds payable	—	107,363	—	107,363
Long-term loans payable	—	258,403	—	258,403
Lease obligations (non-current)	—	12,536	—	12,536
Liabilities total	—	444,211	—	444,211

Note: Explanation of the valuation methodology and inputs used to measure fair value

Investment securities

The fair values of listed stocks are measured using quoted market prices for identical securities. Since listed stocks are traded in active markets, their fair values are classified as Level 1.

Derivative transactions

The fair values of foreign currency forward transactions are measured using forward exchange rates and are classified as Level 2. Foreign currency forward contracts subject to appropriation treatment are considered an integral part of the hedged foreign currency-denominated receivables and their fair values are included in the fair value of those receivables. Since these receivables are mostly settled in a short period of time, as a result of which their fair values approximate their book values, they are omitted.

The fair values of interest rate swap transactions are measured based on the price offered by the trading financial institution and are classified as Level 2. Interest rate swaps subject to special treatment are considered an integral part of the relevant hedged loans and their fair values are included in the fair value of those loans.

Bonds payable (including current portion)
The fair values of bonds payable issued by the Company are measured using quoted prices. Since these bonds are not traded in active markets, their fair values are classified as Level 2.

Lease obligations (non-current)
The fair values of lease obligations are measured by discounting the present value, that is, the total amount of principal and interest, using the interest rate that would be expected to apply if similar leases were newly undertaken, and are classified as Level 2.

Long-term loans payable (including current portion)
Long-term loans payable with variable interest rates subject to special treatment for interest rate swaps are measured by discounting the total amount of principal and interest, considered an integral part of the interest rate swap, using the presumed interest rate that would be expected to apply if similar loans were newly undertaken, and are classified as Level 2.
Since other long-term loans payable with variable interest rates are deemed to reflect market interest rates within a short term, and because the Company's credit rating has not changed significantly since the execution, their fair values approximate their book values and are classified as Level 2.
The fair values of long-term loans payable with fixed interest rates are measured by discounting the present value, that is, the total amount of principal and interest, using the interest rate that would be expected to apply if similar loans were newly undertaken, and are classified as Level 2.

VII. Notes to Revenue Recognition

1. Information that provides a basis for disaggregating revenue from contracts with customers

(Millions of yen)

	Packaging & Graphic	Color & Display	Functional Products	Subtotal	Others	Total
Sales to external customers						
Japan	115,779	23,610	167,643	307,032	361	307,393
Overseas	417,230	185,445	143,936	746,612	195	746,807
Total	533,009	209,056	311,579	1,053,644	556	1,054,201

2. Information that provides a basis for understanding revenue from contracts with customers
   Basic information for understanding revenue from contracts with customers is described in "(5) Revenue and expense recognition standards" within "4. Accounting Policies" in "I. Notes to Significant Accounting Policies".

3. Information that provides for understanding the amount of revenue in the fiscal year ended December 31, 2022, and in subsequent fiscal years
   (1) Receivables from contracts with customers and contract liabilities

(Millions of yen)

	FY2022
Receivables from contracts with customers (beginning balance)	237,916
Receivables from contracts with customers (ending balance)	247,520
Contract liabilities (beginning balance)	454
Contract liabilities (ending balance)	607

Contract liabilities relate primarily to advances received from customers prior to the delivery of goods or services. The contract liabilities are reversed upon recognition of revenue.
Within the opening balance of contract liabilities as of January 1, 2022, the amount recognized as revenue for the fiscal year ended December 31, 2022, was immaterial. Revenue recognized in the fiscal years ended December 31, 2021 and 2022, in relation with performance obligations satisfied (or partially satisfied) in preceding fiscal years was immaterial. There were no significant changes in the balance of contract assets or the balance of contract liabilities.

(2) Transaction prices allocated to remaining performance obligations
Since there are no significant contracts with an initially expected contract period exceeding one year, the Group has applied the practical expedient method and transaction prices allocated to remaining performance obligations are omitted. There are no material considerations arising from contracts with customers that are not included in transaction amounts.

VIII. Notes to Amounts Per Share Information

	(Yen)
Shareholders' equity per share	4,088.60
Earnings per share	186.05

(Notes)
1. Since the fiscal year ended December 31, 2017, the Company has introduced the 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 shareholders' 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 shareholders' equity per share was 131,700 as of December 31, 2022, while the weighted-average number of treasury shares issued during the fiscal year excluded from the calculation of earnings per share was 131,700 for the fiscal year ended December 31, 2022.

IX. Notes to Significant Subsequent Events

Business combination under common control
Absorption-type merger of wholly owned subsidiary
At the meeting of the Board of Directors held on June 27, 2022, the Company resolved to implement an absorption-type merger of wholly owned subsidiary Colors & Effects Japan Ltd. ("Colors & Effects Japan"), with an effective date of January 1, 2023. The merger was conducted on January 1, 2023.

(1) Name of company merged and description of business

Name of company merged:	Colors & Effects Japan Ltd.
Description of business:	Import, export, sale, distribution and technical service related to pigments, processed pigments and colorants, as well as intermediates thereof.

(2) Date of merger
January 1, 2023

(3) Merger method

Absorption-type merger with DIC as the surviving company and Colors & Effects Japan dissolved and absorbed

(4) Assets and liabilities transferred

Pursuant to the conditions of the absorption-type merger agreement, the Company assumed the assets, liabilities, contracts, and other rights and obligations of the merged company.

(5) Allocations related to the merger

No shares were issued and no monies or other property were allocated at the time of this merger.

(6) Company name after merger

DIC Corporation

This merger has not resulted in any changes to the Company's name, capital or businesses.

(7) Other details regarding this transaction

On June 30, 2021, the Company completed its acquisition of global pigments business Colors & Effects from BASF SE of Germany. Colors & Effects Japan is one of the companies that make up this business. The decision to carry out this merger was made with the aim of achieving the integrated global management of the Company's pigments businesses and realizing synergies with the newly acquired company as swiftly as possible.

(8) Accounting treatment used

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued January 16, 2019), this merger will be accounted for as a transaction under common control.

X. Notes to Business Combinations

1. Finalization of preliminary accounting treatment related to business combinations

With regard to acquisition of the shares and assets of the Colors & Effects pigment business from BASF SE of Germany, which is the largest chemical manufacturer in Europe, although preliminary accounting treatment was adopted in the fiscal year ended at December 31, 2021, the treatment has been finalized in the fiscal year ended at December 31, 2022.

In line with finalizing this preliminary accounting treatment, purchase price allocation has been revised as follows.

Goodwill before revision	¥19,598 million
Goodwill revised amount	
Current assets	2,362 million
Non-current assets	149 million
Current liabilities	(889 million)
Non-current liabilities	(1,679 million)
Revised amount total	(58 million)
Goodwill after revision	¥19,540 million

2. Business combination resulting from acquisitions

On January 10, 2022, the Group acquired all shares of Sapici S.p.A. ("SAPICI"), which is an Italian adhesives and polymers manufacturer and its holding company, Finape S.r.l.

(1) Overview of the business combination

(a) Name of acquired companies and their business	
Name of acquired companies	Sapici S.p.A and Finape S.r.l
Business	Manufacture and sale of adhesive and polymer products
(b) Date of the business combination	January 10, 2022
(c) Legal form of the business combination	Acquisition of shares for a cash consideration
(d) Name of entity after acquisition	Sapici S.p.A. Finape S.r.l. has dissolved in merger with Sapici S.p.A., which was treated as surviving company
(e) Percentage of voting rights acquired	100.0%
(f) Basis for determining the acquiring company	The Group acquired the shares for cash consideration.

(2) Objectives of the business combination

Markets for adhesives continue to expand around the world, with those in Europe and the Americas—which together represent half of the overall global market—in particular projected to see further growth as needs for environment-friendly products increase against a backdrop of rising concern for environmental impact and safety. Under the slogan "More than Packaging/Sustainable Solutions," the Group continues to develop and launch environment-friendly adhesives in Japan and other Asian markets. However, because the Group lacks adhesives development and production bases in Europe and the Americas, opportunities to enhance its operations in these markets by offering products aligned with local needs have been limited.

In addition to its outstanding quality control and technical capabilities, SAPICI, a Sun Chemical S.p.A. adhesives production outsourcing contractor, is known as the first company in the world to successfully commercialize ULM, ultra−low monomer polyisocyanate, with the lowest possible hazardous substance content. Access to SAPICI's production technologies will give the Group a competitive edge in Europe, where needs for ULM are high. The Group expects this acquisition to reinforce its global adhesives supply configuration and promoting complementary strategic products in regions around the world with the goal of boosting annual global sales of adhesives.

(3) Period for which the financial results of the acquired business and companies are included in the consolidated financial statements for the fiscal year ended December 31, 2022

January 10, 2022–December 31, 2022

(4) Cost of acquisition and breakdown by type of consideration

Not disclosed due to confidentiality between the parties

(5) Description and amount of major acquisition costs

Advisory fees and others	¥17 million

(6) Amount, reason for recognition, method and period of amortization of goodwill

(a) Amount of goodwill arising from the business combination	¥2,695 million

(b) Reason for recognition of goodwill	Because the cost of acquisition exceeded the net of assets acquired and liabilities assumed, the excess is recognized as goodwill.
(c) Method and period of amortization	Straight-line method over 20 years

(7) Amount of non-current intangible assets other than goodwill and breakdown by principal type, and weighted-average amortization period overall and by principal type

(a) Amount allocated to non-current intangible assets and breakdown by principal type

Customer-related assets	¥4,213 million
Technologies and related assets	2,034 million
Trademarks	630 million
Total	¥6,877 million

(b) Weighted-average amortization period overall and by principal type

Customer-related assets	20 years
Technologies and related assets	11 years
Trademarks	15 years
Total	16 years

(8) Amount of assets acquired and liabilities assumed and breakdown by type as of the business combination date

Current assets	¥8,287 million
Non-current assets	9,968 million
Total assets acquired	¥18,255 million
Current liabilities	¥3,123 million
Non-current liabilities	2,542 million
Total liabilities assumed	¥5,665 million

3. Business combination resulting from acquisitions

On July 1, 2022, the Group acquired all shares of Guangdong TOD New Materials Co., Ltd. (“Guangdong TOD”), which is a Chinese coating resins manufacturer.

(1) Overview of the business combination

(a) Name of acquired companies and their business	
Name of acquired companies	Guangdong TOD New Materials Co., Ltd.
Business	Manufacture and sale of coating resins
(b) Date of the business combination	July 1, 2022
(c) Legal form of the business combination	Acquisition of shares for a cash consideration
(d) Name of entity after acquisition	Guangdong DIC TOD Resins Co., Ltd.
(e) Percentage of voting rights acquired	100.0%
(f) Basis for determining the acquiring company	The Group acquired the shares for cash consideration.

(2) Objectives of the business combination

This acquisition supports the Company’s ongoing efforts to expand its Asian market coating resins capacity, focused particularly on China—the world's largest coating resins market. In China, the Company operates two coating resins manufacturing centers—in Zhongshan and Zhangjiagang—to meet local market demand. However, both of the Company’s manufacturing centers are operating near full production capacity with little room for greater expansion.

Thus, the Company decided to explore acquiring a local producer with a customer base in China as the most effective means to quickly expand its business in China. After screening several candidates, the Company reached out to Guangdong TOD as the most strategically aligned candidate for the Company's polymer business, signing a share transfer agreement.

(3) Period for which the financial results of the acquired business and companies are included in the consolidated financial statements for the fiscal year ended December 31, 2022
July 1, 2022–December 31, 2022

(4) Cost of acquisition and breakdown by type of consideration
Not disclosed due to confidentiality between the parties

(5) Description and amount of major acquisition costs

Advisory fees and others	¥568 million

(6) Amount, reason for recognition, method and period of amortization of goodwill

(a) Amount of goodwill arising from the business combination	¥10,897 million
(b) Reason for recognition of goodwill	Because the cost of acquisition exceeded the net of assets acquired and liabilities assumed, the excess is recognized as goodwill.
(c) Method and period of amortization	Straight-line method over 20 years

(7) Amount of non-current intangible assets other than goodwill and breakdown by principal type, and weighted-average amortization period overall and by principal type

(a) Amount allocated to non-current intangible assets and breakdown by principal type

Customer-related assets	¥3,137 million
Trademarks	1,752 million
Technologies and related assets	570 million
Total	¥5,459 million

(b) Weighted-average amortization period overall and by principal type

Customer-related assets	20 years
Trademarks	10 years
Technologies and related assets	13 years
Total	15 years

(8) Amount of assets acquired and liabilities assumed and breakdown by type as of the business combination date

Current assets	¥5,131 million
Non-current assets	9,585 million
Total assets acquired	¥14,715 million
Current liabilities	¥2,637 million
Non-current liabilities	1,892 million
Total liabilities assumed	¥4,529 million

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XI. 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
Balance at January 1, 2022	**96,557**	**94,156**	**94,156**	**101**	**27**	**129**	**814**	**4,136**	**123,032**	**128,239**
Change in FY 2022										
Reversal of reserve for tax deferment of subsidies				(15)					15	–
Provision of reserve for tax deferment of insurance gains					129				(129)	–
Reversal of reserve for tax deferment of insurance gains					(6)				6	–
Reversal of reserve for special account for tax deferment of insurance gains						(129)			129	–
Reversal of reserve for tax deferment of capital gains from eminent domain							(21)		21	–
Reversal of reserve for reduction entry of replaced property								(220)	220	–
Dividends from surplus									(9,479)	(9,479)
Net income									10,287	10,287
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total change in FY 2022	**–**	**–**	**–**	**(15)**	**123**	**(129)**	**(21)**	**(220)**	**1,071**	**809**
Balance at December 31, 2022	**96,557**	**94,156**	**94,156**	**86**	**150**	**–**	**793**	**3,916**	**124,103**	**129,048**

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at January 1, 2022	**(1,780)**	**317,172**	**5,047**	**(2,927)**	**2,119**	**319,291**
Change in FY 2022						
Reversal of reserve for tax deferment of subsidies		–				–
Provision of reserve for tax deferment of insurance gains		–				–
Reversal of reserve for tax deferment of insurance gains		–				–
Reversal of reserve for special account 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		(9,479)				(9,479)
Net income		10,287				10,287
Purchase of treasury shares	(6)	(6)				(6)
Net changes of items other than shareholders' equity			(8)	(1,939)	(1,947)	(1,947)
Total change in FY 2022	**(6)**	**803**	**(8)**	**(1,939)**	**(1,947)**	**(1,144)**
Balance at December 31, 2022	**(1,785)**	**317,975**	**5,039**	**(4,867)**	**172**	**318,147**

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Notes to Non-Consolidated Financial Statements

I. Notes to 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:
   Other securities
   Securities with a readily determinable market value:
   Stated at fair market value (with any unrealized gains or losses being reported directly as a component of shareholder's equity and the cost of any securities sold being computed by the moving-average method).

   Securities with no readily determinable market value:
   Stated at cost, with cost being determined 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, 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 Provisions

(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 environmental measures

Provision for environmental measures is provided based on the estimated payments of soil pollution cleanup loss.

(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 expensed in the accounting periods when they are incurred. 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 (13 years).

(6) Provision for stock payments

Provision for stock payments is provided based on the estimated amount of stock payment 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 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.

9. Consolidated taxation system

The Company has adopted the consolidated taxation system.

10. Application of Tax Effect Accounting for Transition from the Consolidated Taxation System to the Group Tax-Sharing System

The Company will transfer from the consolidated taxation system to the group tax-sharing system from the fiscal year ending December 31, 2023. However, with regard to the items for which a review of the non-consolidated taxation system was made in accordance with the transition to the group tax-sharing system established under the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and the transition to the group tax-sharing system, pursuant to the treatment of paragraph 3 of “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), the provisions of paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) do not apply to the Company and certain domestic consolidated subsidiaries, and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment.

From the beginning of the fiscal year ending December 31, 2023, the Company will apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax-Sharing System” (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case of applying the group tax-sharing system

11. 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 a provision for retirement benefits or prepaid pension cost.

12. Revenue and expense recognition standards

The Company conducts business activities in the three segments, “Packaging & Graphic”, “Color & Display” and “Functional Products”, and mainly provide merchandise and products to domestic and overseas customers.

With regard to the sales of merchandise and products in these business fields, the Company recognizes revenue at the time of delivery of merchandise or products because it considers that the customer obtains control over the merchandise or products and performance obligations are satisfied at the time of delivery of the merchandise or products.

Revenue is recognized at the amount of consideration promised in the contract with the customer, less consideration such as returns, rebates and others, to the extent that there is a high probability of no material reversal of revenue. Also, regarding buy-sell transactions that fall under the buy-back agreement, the amount of raw materials at the end of fiscal period, which are provided to transaction partners, is continually recognized as

inventory, and the amount of supplied materials at the end of fiscal period that remain at transaction partners is recognized as buy-back obligation at the same time.
Furthermore, transaction consideration is generally received within one year after performance obligations are satisfied, and important financing components are not included.

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 BBT are omitted, as "6. Additional Information" of the notes to consolidated financial statements contains the same description.

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

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 the assumption that economic conditions will gradually recover in fiscal year 2023 and has assumed that an impact on the estimates would not be significant as of December 31, 2022.
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 Change in Accounting Policies

(Application of "Accounting Standard for Revenue Recognition")

The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and others effective from the beginning of the fiscal year ended December 31, 2022, and recognizes revenue from goods or services which the Company has promised to provide at an amount expected to be received when control over the goods or services is transferred to a customer. Previously, items supplied to a customer for a fee were reduced from merchandise and finished goods upon delivery. With the adoption of the Accounting Standard for Revenue Recognition, such items are no longer reduced from merchandise and finished goods if the Company is obligated to repurchase the supplied items. Considerations such as rebates, which were previously accounted for in selling, general and administrative expenses, are now deducted from the transaction price.
The application of the Accounting Standard for Revenue Recognition follows the transitional treatment stipulated in the proviso of Article 84 of the accounting standard. The cumulative effects of retroactively applying the new accounting standard to results prior to the beginning of the fiscal year ended December 31, 2022, was added to or subtracted from retained earnings at the beginning of the period, and the new accounting standard is applied from this initial balance. The impact of this change on net sales, operating income, ordinary income and net income in the fiscal year ended December 31, 2022, was negligible and the impact on retained earnings at the beginning of the period was nonexistent. Due to the impact on per share information is immaterial, related information is omitted.

(Application of "Accounting Standard for Fair Value Measurement")

The Company adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and others effective from the beginning of the fiscal year ended December 31, 2022, and has resolved to apply the new accounting policies set forth therein going forward in accordance with the transitional treatment stipulated in Paragraph 44-2 and Article 19 of the accounting standard. This has no impact on the non-consolidated financial statements.

III. Notes to Changes in Presentation

Non-Consolidated Statement of Income

"Foreign exchange gain", which was included in "Other" within non-operating income in the fiscal year ended December 31, 2021, is presented as a separate line item in the fiscal year ended December 31, 2022, as a consequence of its increased financial significance. "Foreign exchange gain" in the fiscal year ended December 31, 2021, was ¥907 million.

IV. Notes to Accounting Estimates

Stocks of subsidiaries and affiliates

1. Amount recorded in the non-consolidated financial statements for the fiscal year ended December 31, 2022
   Stocks of subsidiaries and affiliates ¥485,564 million

2. Information on the significant accounting estimate for the identified items
   (1) Method of calculating the amounts recognized in the non-consolidated financial statements for the fiscal year ended December 31, 2022
   Of the ¥485,564 million in stocks of subsidiaries and affiliates recorded in the non-consolidated balance sheet for the fiscal year ended December 31, 2022, ¥400,696 million represents investments in DIC INVESTMENTS JAPAN, LLC., which accounts for 46% of total assets. DIC INVESTMENTS JAPAN, LLC. aims to invest in and extend loans efficiently to Group companies, and its assessment of the cost of such an investment is impacted by the operating results of the target company. The Company assesses the cost of investments in subsidiaries and affiliates by comparing cost of acquisition with the actual value of shares. In principle, an impairment loss is recognized to reduce the cost to its substantial value if the substantial value is significantly lower than the cost unless sufficient evidence indicates that a recovery is likely.

   (2) Impact on the non-consolidated financial statements for the fiscal year ending December 31, 2023
   While the fair value of the stock of DIC INVESTMENTS JAPAN, LLC., did not fall substantially below the cost of acquisition as of December 31, 2022, the Company's performance was impacted by the sharp deterioration of economic conditions and the operating environment. This may significantly affect the non-consolidated financial statements of the Company for the fiscal year ending December 31, 2023.

V. Notes to Non-Consolidated Balance Sheet

	(Millions of yen)
1. Accumulated Depreciation of Property, Plant and Equipment	300,596

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2. Contingent Liabilities and Others

(Millions of yen)

Guaranteed party	Amount	Contents of guarantee
DIC Graphics Corporation	2,558	Purchase liabilities
DIC Decor, Inc.	2,058	Purchase liabilities
DIC Plastics, Inc.	974	Purchase liabilities
CAST FILM JAPAN CO., LTD.	675	Loans from financial institutions
Two companies and others	427	Loans from financial institutions and others
Total	6,692	

	(Millions of yen)
3. Short-term receivables from subsidiaries and affiliates	42,154
Short-term liabilities to subsidiaries and affiliates	67,413
Long-term liabilities to subsidiaries and affiliates	210

VI. Notes to Non-Consolidated Statement of Income

Transactions with subsidiaries and affiliates

	(Millions of yen)
Sales	56,080
Purchases	35,190
Other transactions	5,695

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

Type and number of treasury stock, at cost

(Shares)

	As of January 1, 2022	Increase in FY 2022	Decrease in FY 2022	As of December 31, 2022
Common stock	501,950	2,173	—	504,123
Total	501,950	2,173	—	504,123

(Notes)
1. The shares held by the BBT (131,700 shares) are included in the number of treasury shares.
2. The increase in treasury shares of common stock (2,173 shares) was due to the purchase of odd-lot shares.

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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VIII. Tax Effect Accounting

A breakdown of the major components of deferred tax assets and liabilities as of December 31, 2022, is as follows:

	(Millions of yen)
Stocks of subsidiaries and affiliates	2,711
Deferred gains or losses on hedges	2,513
Provision for bonuses	1,166
Others	4,327
Subtotal deferred tax assets	10,718
Valuation allowance	(3,909)
Total deferred tax assets	6,809

	(Millions of yen)
Foreign exchange loss from foreign currency borrowings	(2,513)
Valuation difference on available-for-sale securities	(2,217)
Reserve for advanced depreciation of non-current assets	(2,180)
Others	(3,750)
Total deferred tax liabilities	(10,660)
Total deferred tax assets (net)	(3,852)

IX. Notes to Revenue Recognition

Information that provides a basis for understanding revenue from contracts with customers
The notes concerning the information that provides a basis for understanding revenue from contracts with customers are omitted, as “Notes to Revenue Recognition” of the notes to consolidated financial statements contain the same description.

X. Notes to Related Party Transactions

1. Related Companies

(Millions of yen)

<table>
<tr><th rowspan="2">Attribution</th><th rowspan="2">Name of related party</th><th rowspan="2">Ownership of voting rights</th><th rowspan="2">Relation with related parties</th><th rowspan="2">Contents of transaction</th><th rowspan="2">Amount of transaction</th><th colspan="2">Balance at year-end</th></tr>
<tr><th>Account</th><th>Amount</th></tr>
<tr><td rowspan="4">Subsidiaries</td><td rowspan="2">DIC Graphics Corporation</td><td rowspan="2">Owning Direct 66.6%</td><td rowspan="2">Sales of raw materials and others
Dispatch of officer</td><td>Sales of raw materials and others (Note 1)</td><td>19,586</td><td>Accounts receivable - other</td><td>5,432</td></tr>
<tr><td>Loan transaction (Note 2)</td><td>15,912</td><td>Short-term loans payable</td><td>13,893</td></tr>
<tr><td>DIC INVESTMENTS JAPAN, LLC.</td><td>Owning Direct 100%</td><td>Loan transaction
Dispatch of officer</td><td>Loan transaction (Note 2)</td><td>35,525</td><td>Short-term loans payable</td><td>35,601</td></tr>
<tr><td>DIC (China) Co., Ltd.</td><td>Owning Direct 100%</td><td>Loan transaction
Dispatch of officer</td><td>Underwriting of capital increase (Note 3)</td><td>11,652</td><td>-</td><td>-</td></tr>
</table>

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(Notes)

1. Transaction terms in "Sales of raw materials and others" are determined on an arms-length transaction.
2. Interest rate applied to "Loan transaction" is reasonably determined based on the market interest rate.
3. With regard to "Underwriting of capital increase", the Company underwrote the capital increase which its subsidiary carried out mainly for the stock acquisition of Guangdong TOD New Materials Co., Ltd.

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	Balance at year-end	
						Account	Amount
Companies where directors and their close relatives owned a majority of the voting rights (Note 1)	Nissei Real-Estate Co., Ltd.	—	Rental of buildings and others	Payment of rent for buildings and others (Note 2)	2,225	Security deposit	1,664
	Dainichi Can Co., Ltd.	—	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 3)	458	Electronically recorded obligations, accounts payable - trade, and accounts payable-other	174
				Sales of merchandise and finished goods and offering of service (Note 4)	54	Note receivable - trade and Account receivable - trade	19
	Nissin Trading Co., Ltd.	—	Purchase of raw materials and others	Purchase of raw materials and others (Note 5)	8,851	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	2,105
				Sales of merchandise and finished goods and offering of service (Note 4)	3,960	Accounts receivable - trade and accounts receivable - other	1,420

(Notes)

1. 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. And Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.
2. Rental fee of "Rental of buildings and others" is determined based on an arms-length transaction in the neighboring area.
3. Transaction terms in "Purchase of metallic containers and others" are determined based on an arms-length transaction.
4. Transaction terms in "Sales of merchandise and finished goods and offering of service" are determined on an arms-length transaction.
5. Transaction terms in "Purchase of raw materials and others" are determined on an arms-length transaction.

XI. Notes to Amounts Per Share Information

	(Yen)
Net assets per share	3,361.20
Earnings per share	108.68

(Note) As described in "Notes to Amounts Per Share" 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 BBT.

XII. Notes to Significant Subsequent Events

Business combination under common control
Absorption-type merger of wholly owned subsidiary
The notes concerning the absorption-type merger of Colors & Effects Japan Ltd. are omitted, as "Notes to Significant Subsequent Events" of the notes to consolidated financial statements contains the same description.

XIII. Others

Japanese yen amounts are rounded to the nearest million.