Color & Comfort

DIC Report 2018

Financial Section   Year ended December 31, 2017

DIC Corporation

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

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

The DIC WAY

Mission

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

Vision

Color & Comfort by Chemistry

Spirit

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

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

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

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

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

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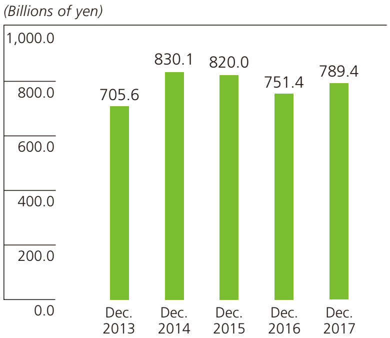
1 Consolidated Six-Year Summary

DIC Corporation and Consolidated Subsidiaries
Years ended December 31, 2017 to 2013, and year ended March 31, 2013

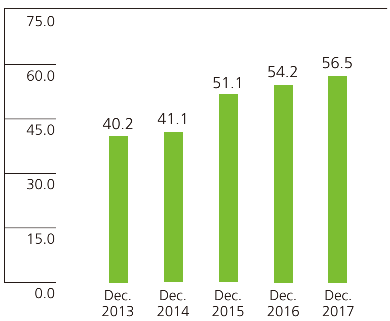
	Millions of yen, except for per share information						Thousands of U.S. dollars, except for per share information (Note 8)
	Dec. 2017	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013	Mar. 2013	**Dec. 2017**
Net sales	**¥789,427**	¥751,438	¥819,999	¥830,078	¥705,647	¥703,781	**$6,986,080**
Percent increase (decrease) (Note 4)	**5.1%**	(8.4)%	(1.2)%	—%	—%	(4.2)%	**5.1%**
Operating income	**56,483**	54,182	51,068	41,076	40,181	38,484	**499,850**
Net income attributable to owners of the parent	**38,603**	34,767	37,394	25,194	26,771	19,064	**341,619**
Equity (Note 3)	**315,129**	278,535	262,467	249,749	195,218	136,921	**2,788,752**
Total assets	**831,756**	764,828	778,857	803,703	761,690	692,991	**7,360,673**
Equity per share (Notes 1, 5 and 7)	**¥3,329.60**	¥2,938.12	¥2,768.41	¥ 259.63	¥ 213.13	¥ 149.48	**$ 29.47**
Earnings per share (basic) (Notes 2, 5 and 7)	**407.56**	366.72	389.40	26.78	29.23	20.80	**3.61**
Cash dividends per share applicable to the period (Note 6)	**120.00**	64.00	8.00	6.00	6.00	6.00	**1.06**
Equity ratio to total assets	**37.9%**	36.4%	33.7%	31.1%	25.6%	19.8%	**37.9%**
ROE (return on equity)	**13.0%**	12.9%	14.6%	11.3%	16.1%	16.0%	**13.0%**
Number of employees	**20,628**	20,481	20,264	20,411	20,034	20,273	**20,628**

Notes: 1. The computation of equity per share has been based on the number of shares issued as of the balance sheet date.
2. The computation of earnings per share has been based on the weighted-average number of shares issued during each fiscal year.
3. Equity comprises "Total shareholders' equity" and "Total accumulated other comprehensive income."
4. In order to align the fiscal year-end with that of its consolidated subsidiaries overseas, effective from fiscal year 2013, DIC Corporation changed its fiscal year-end from March 31 to December 31. As a result, the fiscal year ended December 31, 2013, was a transitional irregular nine-month period, comprising the nine months from April to December for DIC Corporation and its subsidiaries whose fiscal year-end was previously March 31 and the 12 months from January to December for its subsidiaries whose fiscal year-end is December 31. Therefore, the percent increases (decreases) for the fiscal years ended December 31, 2013 and 2014, are not given.
5. The Company implemented a consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date. Earnings per share (basic) and equity per share are calculated respectively based on the assumption that the consolidation had been implemented at the beginning of the fiscal year ended December 31, 2015.
6. The Company implemented a consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date. Cash dividends per share applicable to the period for the fiscal year ended December 31, 2016, comprises interim dividends of ¥4.00 (before the consolidation) and year-end dividends of ¥60.00 (after the consolidation). If the consolidation had been taken into consideration, cash dividends per share applicable to the period for the fiscal year ended December 31, 2016, would be ¥100.00.
7. 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.
8. Yen amounts have been translated, for readers' convenience only, at the rate of ¥113 to US$1, the approximate rate of exchange at December 31, 2017.

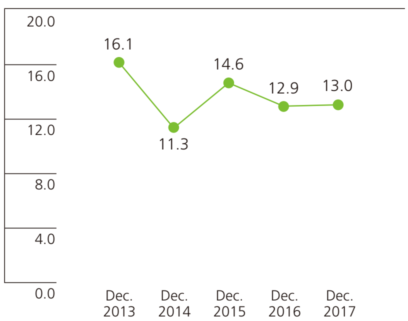
Net Sales
(Billions of yen)



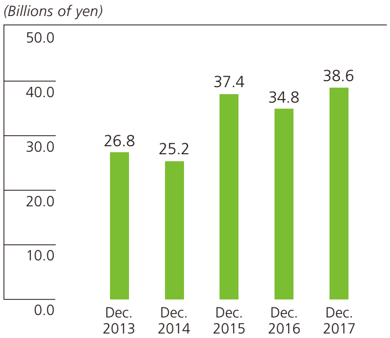
Operating Income
(Billions of yen)



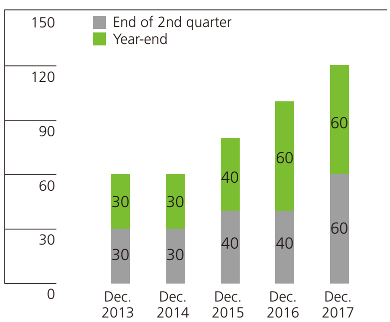
ROE
(%)



Net Income Attributable to Owners of the Parent
(Billions of yen)

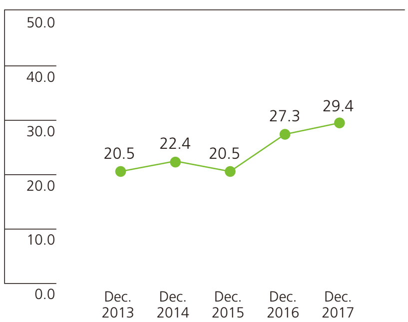


Cash Dividends per Share
(Yen)



* These figures have been adjusted to account for the impact of a consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date.

Dividend Payout Ratio
(%)



This document presents consolidated results for fiscal year 2017, comprising the accounts for the year ended December 31, 2017, of DIC and its domestic and overseas subsidiaries.

Operating Results

While economic conditions worldwide recovered gradually in fiscal year 2017, ended December 31, 2017, economic uncertainty, fluctuations in the financial and capital markets and the direction of oil prices, among others, continued to warrant caution. Moderate recovery persisted in the economies of North America and Europe. A revival was seen in Asia. Japan's economy also continued to rally steadily.

In this environment, consolidated net sales increased 5.1%, to ¥789.4 billion, reflecting multiple factors, including firm shipments. Operating income advanced 4.2%, to ¥56.5 billion, as increased sales of high-value-added products and the progress of cost reductions offset the impact of rising raw materials prices, among others. Ordinary income rose 2.1%, to ¥57.0 billion, with contributing factors including higher operating income and an improved financial position. Net income attributable to owners of the parent climbed 11.0%, to ¥38.6 billion, owing to a decrease in extraordinary loss and other factors.

	Billions of yen			
	FY2017	FY2016	Change (%)	Change calculated in local currency (%)
Net sales	**¥789.4**	¥751.4	5.1%	3.5%
Operating income	**56.5**	54.2	4.2	3.9
Ordinary income	**57.0**	55.8	2.1	—
Net income attributable to owners of the parent	**38.6**	34.8	11.0	—

	Yen	
	FY2017	FY2016
Average exchange rate (¥/US$)	**¥112.33**	¥109.96

Segment Results

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

Printing Inks

Japan

Sales of packaging inks benefited from firm shipments. Nonetheless, overall sales in Japan decreased, reflecting factors such as diminished demand for publishing inks and news inks. Operating income fell sharply, owing to the aforementioned sales results and other factors.

The Americas and Europe

Although demand for publishing inks and news inks waned, sales in North America were flat, with causes including higher shipments of packaging inks. In Europe, sales edged up, as firm shipments of publishing inks and packaging inks countered falling demand for news inks. Sales in Central and South America rose, buoyed by robust shipments of packaging inks. As a result, overall sales in the Americas and Europe increased. Operating income advanced, bolstered by the aforementioned sales results and rationalization measures, among others.

Asia and Oceania

While shipments of packaging inks were solid, sales in the People's Republic of China (PRC) decreased, hindered by factors such as flagging demand for publishing inks and news inks. In Southeast Asia, sales were pushed up by higher shipments of publishing inks and packaging inks. Sales in Oceania fell, with causes including fading demand for news inks. Sales in India increased, bolstered by brisk shipments of publishing inks and packaging inks. For these and other reasons, overall sales in Asia and Oceania rose. Operating income declined, regardless of the aforementioned sales results, a consequence of rising raw materials prices and other factors.

		Billions of yen FY2017	Change (%)	Change calculated in local currency (%)
Japan	Net sales	¥ 77.1	(3.3)%	—%
	Operating income	3.9	(22.5)	—
The Americas and Europe	Net sales	241.1	3.6	1.4
	Operating income	9.5	12.9	16.5
Asia and Oceania	Net sales	64.8	5.3	2.2
	Operating income	4.0	(17.2)	(19.8)

Fine Chemicals

Sales of pigments were down, despite a steep increase in shipments of functional pigments, including those for color filters, owing to flagging demand for other pigments. Sales of thin-film transistor liquid crystals (TFT LCs) rose substantially, reflecting favorable shipments. These factors supported higher segment sales. Segment operating income was up significantly, underpinned by an improved product mix, among others.

	Billions of yen FY2017	Change (%)	Change calculated in local currency (%)
Net sales	¥135.4	5.7%	3.5%
Operating income	17.4	20.3	18.3

Polymers

Sales in Japan rose, bolstered by increased shipments of high-value-added products, polystyrene and other products. Sales overseas were up sharply, thanks to generally firm shipments. For these and other reasons, segment sales advanced. Notwithstanding the impact of rising raw materials prices, segment operating income was flat. Factors behind this result included the aforementioned sales results.

	Billions of yen FY2017	Change (%)	Change calculated in local currency (%)
Net sales	¥197.9	9.4%	8.4%
Operating income	19.6	(0.2)	(0.7)

Compounds

Healthy shipments pushed up sales of polyphenylene sulfide (PPS) compounds. Steadily expanding shipments bolstered sales of jet inks. Owing to these and other factors, segment sales rose. Segment operating income remained level. Reasons behind this result included the aforementioned sales results, which offset increases in raw materials prices and costs associated with advance investments.

	Billions of yen FY2017	Change (%)	Change calculated in local currency (%)
Net sales	¥64.7	5.8%	4.8%
Operating income	5.0	0.3	0.9

Application Materials

Segment sales increased, with contributing factors including higher shipments of industrial adhesive tapes and hollow-fiber membrane modules. Segment operating income rose substantially, spurred by an improved product mix and efforts to reduce costs, among others.

	Billions of yen FY2017	Change (%)	Change calculated in local currency (%)
Net sales	¥56.1	0.7%	0.4%
Operating income	2.6	39.2	38.9

Analysis of Cash Flows

Cash and cash equivalents as of December 31, 2017, totaled ¥17.7 billion, an increase of ¥1.0 billion from the previous fiscal year-end.

Operating Activities

Net cash provided by operating activities amounted to ¥54.2 billion, down from ¥62.5 billion provided by such activities in fiscal year 2016. Income before income taxes and non-controlling interests was ¥54.8 billion, while the adjustment for depreciation and amortization amounted to ¥31.5 billion. Income taxes paid totaled ¥12.3 billion, while working capital increased ¥7.5 billion.

Investing Activities

Net cash used in investing activities came to ¥58.9 billion, up from ¥32.2 billion used in such activities in the previous fiscal year. A total of ¥33.6 billion was applied to capital expenditure, comprising the purchase of property, plant and equipment and the purchase of intangible assets, while ¥27.2 billion was used for the purchase of subsidiaries and affiliates securities. Proceeds from sales of property, plant and equipment totaled ¥2.1 billion.

Financing Activities

Net cash provided by financing activities amounted to ¥11.4 billion, compared with ¥26.9 billion used in such activities in fiscal year 2016. The net total of funds procured was ¥26.1 billion, while cash dividends paid totaled ¥11.4 billion.

5 Consolidated Balance Sheet

DIC Corporation and Consolidated Subsidiaries
December 31, 2017

Assets

	Millions of yen 2017	2016
Current assets:		
Cash and deposits (Notes 4 and 17)	¥ 17,883	¥ 17,241
Notes and accounts receivable—trade (Notes 9, 17 and 18)	226,968	215,369
Merchandise and finished goods (Note 9)	90,010	82,611
Work in process (Note 9)	9,053	9,461
Raw materials and supplies (Note 9)	58,911	53,605
Deferred tax assets (Note 14)	9,574	9,915
Other (Note 17)	23,340	21,374
Allowance for doubtful accounts	(10,763)	(10,839)
Total current assets	424,976	398,737
Non-current assets:		
Property, plant and equipment (Notes 7, 8 and 9):		
Buildings and structures	92,443	92,092
Machinery, equipment and vehicles	70,554	66,342
Tools, furniture and fixtures	11,129	10,142
Land	50,307	50,169
Construction in progress	7,244	7,915
Total property, plant and equipment	231,677	226,660
Intangible assets (Note 8):		
Goodwill	199	501
Software	3,837	4,878
Other	3,548	3,563
Total intangible assets	7,584	8,942
Investments and other assets:		
Investment securities (Notes 5, 6 and 17)	76,867	41,007
Deferred tax assets (Note 14)	31,871	36,996
Net defined benefit asset (Note 10)	33,408	28,074
Other (Notes 5 and 17)	26,858	25,899
Allowance for doubtful accounts	(1,485)	(1,487)
Total investments and other assets	167,519	130,489
Total non-current assets	406,780	366,091
Total assets	¥831,756	¥764,828

See notes to the consolidated financial statements.

Liabilities and Net Assets

	Millions of yen 2017	2016
Current liabilities:		
Notes and accounts payable—trade (Notes 17 and 18)	**¥117,199**	¥ 94,392
Short-term loans payable (Notes 9 and 17)	**61,385**	52,744
Current portion of long-term loans payable (Notes 9, 17 and 18)	**27,677**	43,647
Lease obligations (Notes 9 and 17)	**557**	584
Income taxes payable (Notes 14 and 17)	**4,793**	4,153
Deferred tax liabilities (Note 14)	**399**	322
Provision for bonuses	**7,071**	7,050
Other (Note 17)	**47,509**	62,447
Total current liabilities	**266,590**	265,339
Non-current liabilities:		
Bonds payable (Notes 9, 17 and 18)	**50,000**	30,000
Long-term loans payable (Notes 9, 17 and 18)	**122,017**	109,918
Lease obligations (Notes 9 and 17)	**4,045**	4,394
Deferred tax liabilities (Note 14)	**11,653**	9,598
Net defined benefit liability (Note 10)	**22,774**	28,072
Asset retirement obligations	**1,329**	1,334
Other	**9,397**	9,156
Total non-current liabilities	**221,215**	192,472
Total liabilities	**487,805**	457,811
Net assets:		
Shareholders' equity (Notes 11 and 21):		
Capital stock (Note 12)	**96,557**	96,557
Capital surplus	**94,445**	94,094
Retained earnings	**186,768**	159,541
Treasury shares (Note 13)	**(1,828)**	(1,213)
Total shareholders' equity	**375,942**	348,979
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	**7,874**	5,248
Deferred gains or losses on hedges	**(3)**	(187)
Foreign currency translation adjustment	**(46,462)**	(48,626)
Remeasurements of defined benefit plans (Note 10)	**(22,222)**	(26,879)
Total accumulated other comprehensive income	**(60,813)**	(70,444)
Non-controlling interests	**28,822**	28,482
Total net assets	**343,951**	307,017
Total liabilities and net assets	**¥831,756**	¥764,828

7 Consolidated Statement of Income

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2017

	Millions of yen	
	2017	2016
Net sales	¥789,427	¥751,438
Cost of sales	605,809	571,895
Gross profit	183,618	179,543
Selling, general and administrative expenses (Note 15)	127,135	125,361
Operating income	56,483	54,182
Non-operating income:		
Interest income	1,817	575
Dividends income	447	401
Equity in earnings of affiliates	4,069	3,266
Foreign exchange gains	—	607
Other	2,019	2,182
Total non-operating income	8,352	7,031
Non-operating expenses:		
Interest expenses	3,565	3,227
Foreign exchange losses	1,456	—
Other	2,854	2,189
Total non-operating expenses	7,875	5,416
Ordinary income	56,960	55,797
Extraordinary income:		
Gain on sales of non-current assets	1,156	—
Gain on change in equity	641	—
Gain on sales of subsidiaries and affiliates securities	315	—
State subsidy	—	842
Gain on bargain purchase	—	78
Total extraordinary income	2,112	920
Extraordinary loss:		
Loss on disposal of non-current assets	2,682	4,412
Severance costs	951	1,416
Early termination fee	376	—
Impairment loss (Note 8)	234	—
Provision of allowance for doubtful accounts	—	553
Loss on disaster	—	440
Total extraordinary loss	4,243	6,821
Income before income taxes and non-controlling interests	54,829	49,896
Income taxes (Note 14):		
Income taxes—current	10,517	11,565
Income taxes—deferred	3,388	767
Total income taxes	13,905	12,332
Net income	40,924	37,564
Net income attributable to non-controlling interests	2,321	2,797
Net income attributable to owners of the parent	¥ 38,603	¥ 34,767

	Yen	
Earnings per share (Note 2):		
Basic	¥ 407.56	¥ 366.72
Diluted	—	—
Weighted-average number of shares issued during the period, excluding treasury shares (in thousands)	94,717	94,805
Cash dividends per share applicable to the period (Note 2)	¥ 120.00	¥ 64.00

See notes to the consolidated financial statements.

8 Consolidated Statement of Comprehensive Income

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2017

	Millions of yen	
	2017	2016
Net income	¥40,924	¥ 37,564
Other comprehensive income:		
Valuation difference on available-for-sale securities	2,590	1,609
Deferred gains or losses on hedges	183	(112)
Foreign currency translation adjustment	979	(18,179)
Remeasurements of defined benefit plans, net of tax (Note 10)	4,718	6,266
Share of other comprehensive income of associates accounted for using equity method	1,563	(965)
Total other comprehensive income (Note 20)	¥10,033	¥(11,381)
Comprehensive income	¥50,957	¥ 26,183
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	¥48,234	¥ 23,734
Comprehensive income attributable to non-controlling interests	2,723	2,449

See notes to the consolidated financial statements.

9 Consolidated Statement of Changes in Net Assets

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2017

Millions of yen

	Shareholders' equity					
	Issued number of common stock (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2016	965,372	¥96,557	¥94,161	¥137,071	¥(5,911)	¥321,878
Dividends from surplus, ¥8.00 per share (Note 11)				(7,585)		(7,585)
Net income attributable to owners of the parent				34,767		34,767
Purchase of treasury shares—19,473 shares					(19)	(19)
Retirement of treasury shares (Notes 12 and 13)	(13,803)		(5)	(4,712)	4,717	—
Consolidation of shares (Notes 12 and 13)	(856,412)					—
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(62)			(62)
Net changes of items other than shareholders' equity (Notes 6 and 11)						
Balance at December 31, 2016	95,157	96,557	94,094	159,541	(1,213)	348,979
Dividends from surplus, ¥120.00 per share (Note 11)				**(11,376)**		**(11,376)**
Net income attributable to owners of the parent				**38,603**		**38,603**
Purchase of treasury shares—155,741 shares					**(615)**	**(615)**
Change in treasury shares of parent arising from transactions with non-controlling shareholders			**351**			**351**
Net changes of items other than shareholders' equity (Notes 6 and 11)						
Balance at December 31, 2017	**95,157**	**¥96,557**	**¥94,445**	**¥186,768**	**¥(1,828)**	**¥375,942**

Millions of yen

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at January 1, 2016	¥3,688	¥ (73)	¥(29,925)	¥(33,101)	¥(59,411)	¥27,390	¥289,857
Dividends from surplus, ¥8.00 per share (Note 11)							(7,585)
Net income attributable to owners of the parent							34,767
Purchase of treasury shares—19,473 shares							(19)
Retirement of treasury shares (Notes 12 and 13)							—
Consolidation of shares (Notes 12 and 13)							—
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(62)
Net changes of items other than shareholders' equity (Notes 6 and 11)	1,560	(114)	(18,701)	6,222	(11,033)	1,092	(9,941)
Balance at December 31, 2016	5,248	(187)	(48,626)	(26,879)	(70,444)	28,482	307,017
Dividends from surplus, ¥120.00 per share (Note 11)							**(11,376)**
Net income attributable to owners of the parent							**38,603**
Purchase of treasury shares—155,741 shares							**(615)**
Change in treasury shares of parent arising from transactions with non-controlling shareholders							**351**
Net changes of items other than shareholders' equity (Notes 6 and 11)	**2,626**	**184**	**2,164**	**4,657**	**9,631**	**340**	**9,971**
Balance at December 31, 2017	**¥7,874**	**¥ (3)**	**¥(46,462)**	**¥(22,222)**	**¥(60,813)**	**¥28,822**	**¥343,951**

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2017

	Millions of yen	
	2017	2016
Net cash provided by (used in) operating activities:		
Income before income taxes and non-controlling interests	¥ 54,829	¥ 49,896
Adjustments for:		
Depreciation and amortization	31,524	32,444
Amortization of goodwill	345	373
Increase (decrease) in allowance for doubtful accounts	(720)	1,540
Increase (decrease) in provision for bonuses	13	149
Interest and dividends income	(2,264)	(976)
Equity in (earnings) losses of affiliates	(4,069)	(3,266)
Interest expenses	3,565	3,227
Loss (gain) on sales and retirement of non-current assets	1,526	4,412
Impairment loss	234	—
Loss (gain) on sales of subsidiaries and affiliates securities	(315)	—
State subsidy	—	(842)
Decrease (increase) in notes and accounts receivable—trade	(7,070)	(2,150)
Decrease (increase) in inventories	(9,742)	(828)
Increase (decrease) in notes and accounts payable—trade	9,328	(1,810)
Other, net	(11,246)	(2,775)
Subtotal	65,938	79,394
Interest and dividends income received	4,180	2,130
Interest expenses paid	(3,628)	(3,254)
Income taxes paid	(12,294)	(15,766)
Net cash provided by (used in) operating activities	54,196	62,504
Net cash provided by (used in) investing activities:		
Payments into time deposits	(8,231)	(6,505)
Proceeds from withdrawal of time deposits	8,560	6,219
Purchase of property, plant and equipment	(32,192)	(30,310)
Proceeds from sales of property, plant and equipment	2,103	455
Purchase of intangible assets	(1,392)	(969)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(515)	(114)
Purchase of subsidiaries and affiliates securities	(27,209)	—
Purchase of investment securities	(851)	(971)
Proceeds from sales and redemption of investment securities	465	376
Payments for transfer of business	(338)	(275)
Proceeds from subsidy income	—	842
Other, net	662	(950)
Net cash provided by (used in) investing activities	(58,938)	(32,202)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	9,272	30,364
Increase (decrease) in commercial papers	—	(4,000)
Proceeds from long-term loans payable	44,823	30,069
Repayment of long-term loans payable	(48,022)	(75,576)
Proceeds from issuance of bonds	20,000	10,000
Redemption of bonds	—	(8,000)
Cash dividends paid	(11,376)	(7,585)
Cash dividends paid to non-controlling interests	(1,439)	(1,047)
Net decrease (increase) in treasury shares	(615)	(19)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(578)	—
Other, net	(690)	(1,058)
Net cash provided by (used in) financing activities	11,375	(26,852)
Effect of exchange rate change on cash and cash equivalents	(5,653)	(1,892)
Net increase (decrease) in cash and cash equivalents	980	1,558
Cash and cash equivalents at beginning of the period (Note 4)	16,671	15,113
Cash and cash equivalents at end of the period (Note 4)	¥ 17,651	¥ 16,671

See notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

DIC Corporation and Consolidated Subsidiaries
Year ended December 31, 2017

Note 1:

Basis of Presenting Financial Statements

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

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

Note 2:

Summary of Significant Accounting Policies

Consolidated financial statements

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

The consolidated financial statements include the accounts of the Company and its significant subsidiaries: Sun Chemical Group Coöperatief U.A., DIC (China) Co., Ltd., DIC Asia Pacific Pte Ltd, SEIKO PMC CORPORATION, DIC INVESTMENTS JAPAN, LLC., DIC Graphics Corporation and 138 other companies in the fiscal year ended December 31, 2017 (144 other companies in the fiscal year ended December 31, 2016). All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Company and its consolidated subsidiaries (the "Group") is eliminated.

Investments in 26 affiliates in the fiscal year ended December 31, 2017 (23 in the fiscal year ended December 31, 2016) are accounted for by the equity method.

Accounting period of consolidated subsidiaries

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

Cash and cash equivalents

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

Investment securities

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

Allowance for doubtful accounts

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

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

Inventories

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

Property, plant and equipment (excluding leased assets)

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

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

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

Intangible assets (excluding leased assets)

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

Leased assets

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

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

Retirement and pension plans

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

Foreign consolidated subsidiaries are accounted for in accordance with either U.S. GAAP or IFRS. Actuarial gains and losses are amortized in the succeeding year primarily by the straight-line method over stated years that do not exceed the average remaining service period of the eligible employees (9 to 28 years). Past service costs are amortized over 3 to 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.

Asset retirement obligations

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

Income taxes

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

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

Research and development costs

Research and development costs are charged to income as incurred.

Basis of translation of financial statements of foreign consolidated subsidiaries

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

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

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

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

Translation of foreign currency accounts

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

Derivatives and hedging activities

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

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

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

Per share information

Earnings per share (basic) is computed by dividing net income attributable to owners of the parent available to common shareholders by the weighted-average number of shares issued for the period, retroactively adjusted for stock splits.

The Company implemented the consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date. Earnings per share (basic) is calculated based on the assumption that the consolidation had been implemented at the beginning of the fiscal year ended December 31, 2016.

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

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

Cash dividends per share applicable to the period for the fiscal year ended December 31, 2016, comprises interim dividends of ¥4.00 (before the consolidation) and year-end dividends of ¥60.00 (after the consolidation). If the consolidation had been taken into consideration, cash dividends per share applicable to the period for the fiscal year ended December 31, 2016, would be ¥100.00.

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.

Note 3:

Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

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

Board Benefit Trust (BBT)

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

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

(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 of the treasury shares was ¥599 million, while the number of the treasury shares was 152 thousand as of December 31, 2017.

Note 4:

Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2017, and 2016, include the following:

	Millions of yen	
	2017	2016
Cash and deposits	¥17,883	¥17,241
Less: time deposits and short-term investments which mature over three months after the date of acquisition	(232)	(570)
Cash and cash equivalents	¥17,651	¥16,671

Note 5:

Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates as of December 31, 2017, and 2016, include the following:

	Millions of yen	
	2017	2016
Investments in stock of unconsolidated subsidiaries and affiliates	¥53,213	¥21,678
Investments in equity of unconsolidated subsidiaries and affiliates	1,053	1,398
Total	¥54,266	¥23,076

Note 6:

Investment Securities

The carrying amounts and aggregate fair values of available-for-sale securities at December 31, 2017, and 2016, are as follows:

	Millions of yen			
	2017			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale securities:				
Stocks	¥8,121	¥11,437	¥(21)	¥19,537
Total	¥8,121	¥11,437	¥(21)	¥19,537

	Millions of yen			
	2016			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale securities:				
Stocks	¥8,190	¥7,752	¥(54)	¥15,888
Total	¥8,190	¥7,752	¥(54)	¥15,888

Note 7:

Property, Plant and Equipment

Accumulated depreciation on property, plant and equipment as of December 31, 2017, and 2016, is ¥559,793 million and ¥545,419 million, respectively.

Note 8:

Impairment of Long-Lived Assets

Impairment losses on long-lived assets for the fiscal year ended December 31, 2017, for each asset group is as follows:

			Millions of yen
			2017
Used status	Category of assets	Location	Allocated impairment loss
Factory assets in use	Machinery, equipment and vehicles, buildings and structures, and other	India	¥200
Idle assets	Buildings and structures, machinery, equipment and vehicles, and other	Ibaraki, Japan	34
Total			¥234

The carrying amount of the factory assets in use was reduced to its recoverable amount because the recoverable amount is less than the carrying amount. The carrying amount of the idle assets was also reduced to its recoverable amount because the assets are no longer used.

The book value of factory assets in use has been lowered to the recoverable amount. All the book value of idle assets has been recognized as impairment loss.

Note 9:

Short-Term Loans Payable and Long-Term Loans Payable

Information with respect to short-term loans payable at December 31, 2017, and 2016, is as follows:

The average interest rate for the fiscal years ended December 31, 2017, and 2016, is 2.19% and 2.43%, respectively, for short-term loans payable, and -0.01% and 0.00%, respectively, for commercial papers.

Bonds payable, long-term loans payable and lease obligations at December 31, 2017, and 2016, comprise the following:

	Millions of yen	
	2017	2016
0.53% Japanese yen notes due 2022	**¥ 10,000**	¥ 10,000
1.00% Japanese yen notes due 2025	**10,000**	10,000
0.95% Japanese yen notes due 2036	**5,000**	5,000
0.36% Japanese yen notes due 2026	**5,000**	5,000
0.42% Japanese yen notes due 2027	**10,000**	—
0.15% Japanese yen notes due 2022	**10,000**	—
Loans due 2018–2027, with an average interest rate of 0.75%	**149,694**	153,565
Lease obligations	**4,602**	4,978
Subtotal	**204,296**	188,543
Less: current portion of long-term loans payable	**(27,677)**	(43,647)
Less: current portion of bonds	**—**	—
Less: lease obligations—current	**(557)**	(584)
Total	**¥176,062**	¥144,312

The annual maturities of bonds payable, long-term loans payable and lease obligations for the fiscal years subsequent to December 31, 2017, are as follows:

	Millions of yen
2018	¥ 28,234
2019	45,066
2020	23,270
2021	35,150
2022	30,456
Thereafter	42,120
Total	¥204,296

The amounts of assets pledged as collateral and secured borrowings and loans at December 31, 2017, comprise the following:

	Millions of yen
Assets pledged as collateral:	
Notes and accounts receivable—trade	¥3,873
Inventories	2,002
Property, plant and equipment	572
Total	¥6,447
Secured borrowings and loans:	
Short-term loans payable	¥ 616
Total	¥ 616

Note 10: Retirement and Pension Plans

(1) Overview of adopted retirement and pension plans

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

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

Changes in defined benefit obligations

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2017	¥95,274	¥146,257
Service cost	2,225	717
Interest cost	752	4,661
Actuarial gains and losses	(70)	4,767
Benefits paid	(4,620)	(6,342)
Past service cost	—	8
Exchange translation differences	—	3,697
Other	—	70
As of December 31, 2017	¥93,561	¥153,835

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2016	¥97,958	¥152,302
Service cost	2,222	527
Interest cost	774	5,160
Actuarial gains and losses	(642)	10,467
Benefits paid	(5,038)	(6,549)
Past service cost	—	189
Exchange translation differences	—	(16,191)
Other	—	352
As of December 31, 2016	¥95,274	¥146,257

Changes in plan assets

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2017	¥121,278	¥120,255
Expected return on plan assets	3,051	6,295
Actuarial gains and losses	4,641	6,109
Contributions by the employer	1,012	2,794
Benefits paid	(4,518)	(6,153)
Exchange translation differences	—	3,214
Other	—	52
As of December 31, 2017	¥125,464	¥132,566

	Millions of yen	
	Domestic plans	Foreign plans
As of January 1, 2016	¥120,430	¥121,882
Expected return on plan assets	3,033	6,129
Actuarial gains and losses	56	9,544
Contributions by the employer	2,663	1,978
Benefits paid	(4,904)	(6,407)
Exchange translation differences	—	(13,056)
Other	—	185
As of December 31, 2016	¥121,278	¥120,255

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

	Millions of yen	
	2017	
	Domestic plans	Foreign plans
Funded defined benefit obligations	¥ 92,418	¥ 152,831
Plan assets	(125,464)	(132,566)
Subtotal	(33,046)	20,265
Unfunded defined benefit obligations	1,143	1,004
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (31,903)	¥ 21,269
Liabilities (net defined benefit liability)	¥ 1,366	¥ 21,408
Assets (net defined benefit asset)	(33,269)	(139)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (31,903)	¥ 21,269

	Millions of yen	
	2016	
	Domestic plans	Foreign plans
Funded defined benefit obligations	¥ 94,164	¥ 145,524
Plan assets	(121,278)	(120,255)
Subtotal	(27,114)	25,269
Unfunded defined benefit obligations	1,110	733
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (26,004)	¥ 26,002
Liabilities (net defined benefit liability)	¥ 2,017	¥ 26,055
Assets (net defined benefit asset)	(28,021)	(53)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (26,004)	¥ 26,002

Retirement benefit expenses and its breakdowns

	Millions of yen	
	2017	
	Domestic plans	Foreign plans
Service cost	**¥ 2,225**	**¥ 717**
Interest cost	**752**	**4,661**
Expected return on plan assets	**(3,051)**	**(6,295)**
Recognition of actuarial gains and losses	**(264)**	**1,472**
Amortization of past service cost	**—**	**8**
Total	**¥ (338)**	**¥ 563**

Note: Other than these retirement benefit expenses, severance costs in the consolidated statement of income include retiree premium benefit.

	Millions of yen	
	2016	
	Domestic plans	Foreign plans
Service cost	¥ 2,222	¥ 527
Interest cost	774	5,160
Expected return on plan assets	(3,033)	(6,129)
Recognition of actuarial gains and losses	1,119	1,416
Amortization of past service cost	—	189
Total	¥ 1,082	¥ 1,163

Note: Other than these retirement benefit expenses, severance costs in the consolidated statement of income include retiree premium benefit.

Past service cost and actuarial gains and losses

The past service cost and actuarial gains and losses recognized in accumulated other comprehensive income as remeasurements of defined benefit plans (amount before income tax effect) for the fiscal years ended December 31, 2017, and 2016, are as follows:

	Millions of yen	
	2017	
	Domestic plans	Foreign plans
Past service cost	**¥ —**	**¥ 4**
Actuarial gains and losses	**4,448**	**1,901**
Total	**¥4,448**	**¥1,905**

	Millions of yen	
	2016	
	Domestic plans	Foreign plans
Past service cost	¥ —	¥ 14
Actuarial gains and losses	1,820	7,270
Total	¥1,820	¥7,284

Unrecognized past service cost and unrecognized actuarial gains and losses

The unrecognized past service cost and unrecognized actuarial gains and losses recognized in accumulated other comprehensive income as remeasurements of defined benefit plans (amount before income tax effect) for the fiscal years ended December 31, 2017, and 2016, are as follows:

	Millions of yen	
	2017	
	Domestic plans	Foreign plans
Unrecognized past service cost	**¥ —**	**¥ 129**
Unrecognized actuarial gains and losses	**10,024**	**(44,549)**
Total	**¥10,024**	**¥(44,420)**

	Millions of yen	
	2016	
	Domestic plans	Foreign plans
Unrecognized past service cost	¥ —	¥ 125
Unrecognized actuarial gains and losses	5,576	(46,450)
Total	¥5,576	¥(46,325)

Major breakdown of plan assets

	2017	
	Domestic plans	Foreign plans
Equity securities	**51.8%**	**29.0%**
Debt securities	**22.0%**	**58.0%**
Other	**26.2%**	**13.0%**
Total	**100.0%**	**100.0%**

Note: 27.5% of the assets of the domestic plans is available-for-sale securities contributed to the employee retirement benefit trust.

	2016	
	Domestic plans	Foreign plans
Equity securities	51.7%	27.8%
Debt securities	21.8%	56.1%
Other	26.5%	16.1%
Total	100.0%	100.0%

Note: 28.5% of the assets of the domestic plans is available-for-sale securities contributed to the employee retirement benefit trust.

Actuarial assumptions

	2017	
	Domestic plans	Foreign plans
Discount rate	**0.8%**	**1.2%–3.7%**
Expected return rate on plan assets	**3.0%**	**5.0%–6.2%**
Expected rate of increase in salary	**3.3%**	**2.0%–3.5%**

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

	2016	
	Domestic plans	Foreign plans
Discount rate	0.8%	1.3%–4.2%
Expected return rate on plan assets	3.0%	5.5%–6.4%
Expected rate of increase in salary	3.3%	2.0%–3.5%

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

(3) Defined contribution pension plans

The required contributions borne by the Company and a number of consolidated subsidiaries in relation to the defined contribution pension plans for the fiscal years ended December 31, 2017, and 2016, were ¥2,042 million and ¥1,947 million, respectively.

Note 11:

Net Assets

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

(1) Dividends

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

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

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

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

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

(3) Treasury shares and treasury stock acquisition rights

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

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

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

Note 12:

Capital Stock

The Company retired its treasury shares on January 15, 2016. In addition, the Company implemented the consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date. As a result, the number of authorized shares as of December 31, 2017, and 2016, are 150,000,000 shares, and the number of shares issued as of December 31, 2017, and 2016, are 95,156,904 shares.

Note 13:

Treasury Shares

The number of treasury shares as of December 31, 2017, and 2016, are as follows:

	As of January 1, 2017	Increase in FY2017	Decrease in FY2017	As of December 31, 2017
				Shares
				2017
Treasury shares:				
Common stock	**356,552**	**155,741**	**—**	**512,293**
Total	**356,552**	**155,741**	**—**	**512,293**

Notes: 1. The increase of treasury shares of common stock (155,741 shares) was due to the purchase of odd shares (4,041 shares) and the acquisition of the Company's shares by the Board Benefit Trust (BBT) (151,700 shares).
2. The shares held by the Board Benefit Trust (151,700 shares) are included in the number of treasury shares.

	As of January 1, 2016	Increase in FY2016	Decrease in FY2016	As of December 31, 2016
				Shares
				2016
Treasury shares:				
Common stock	17,294,751	19,473	16,957,672	356,552
Total	17,294,751	19,473	16,957,672	356,552

Notes: 1. The increase of treasury shares of common stock (19,473 shares) was due to the purchase of fractional shares in connection with the consolidation of shares (2,492 shares) and the purchase of odd shares (Total 16,981 shares, 13,440 shares for before the consolidation and 3,541 shares for after the consolidation).
2. The decrease of treasury shares of common stock (16,957,672 shares) was due to the retirement of treasury shares (13,803,000 shares) and the consolidation of shares by a factor of 10 to 1 (3,154,672 shares).

Note 14:

Income Taxes

The differences between the normal effective statutory tax rate in Japan and the actual effective tax rate for the fiscal years ended December 31, 2017, and 2016, are as follows:

	2017	2016
Normal effective statutory tax rate in Japan	**30.9%**	33.1%
Adjustments:		
Valuation allowance change	**(6.3)%**	0.6%
Tax rate differences	**(5.0)%**	(4.9)%
Equity in earnings of affiliates	**(2.2)%**	(2.1)%
Entertainment and other non-deductible expenses	**1.5%**	1.8%
Elimination of intercompany dividends income	**14.8%**	8.0%
Dividends income and other non-taxable income	**(9.4)%**	(6.5)%
State, provincial, municipal and local taxes	**0.7%**	0.5%
Tax credit for research and development and others	**(2.7)%**	(2.4)%
Adoption of FIN48	**(0.3)%**	(0.9)%
Tax credit for the Special Tax Law for the March 11 Earthquake	**(1.6)%**	(0.4)%
Other	**5.0%**	(2.1)%
Actual effective tax rate	**25.4%**	24.7%

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities, as of December 31, 2017, and 2016, are as follows:

	Millions of yen	
	2017	2016
Deferred tax assets:		
Inventories	¥ 3,339	¥ 4,131
Property, plant and equipment	4,371	3,061
Intangible assets	5,815	7,671
Research and development costs	4,711	7,371
Allowance for doubtful accounts	1,857	1,840
Provision for bonuses	2,112	2,109
Net defined benefit liability	5,881	8,712
Unrealized gain	992	958
Net operating loss carryforwards	20,816	27,425
Other	10,429	8,287
Subtotal	60,323	71,565
Less: valuation allowance	(13,576)	(19,052)
Total	46,747	52,513
Deferred tax liabilities:		
Property, plant and equipment	(3,359)	(3,797)
Net defined benefit asset	(3,231)	(1,008)
Contribution of securities to employee retirement benefit trust	(1,510)	(1,692)
Deferred income taxes related to gains from property, plant and equipment	(2,883)	(3,012)
Valuation difference on available-for-sale securities	(3,442)	(2,309)
Other	(2,929)	(3,704)
Total	(17,354)	(15,522)
Net deferred tax assets	¥ 29,393	¥ 36,991

Influence from changes in U.S. federal income tax rate

The Tax Cuts and Jobs Act, lowering the federal income tax rate from a maximum of 35% to 21% from January 1, 2018, was enacted in the United States on December 22, 2017. As a result, net deferred tax assets decreased by ¥7,863 million and income taxes–deferred (debit) recognized during the fiscal year ended December 31, 2017, increased by ¥7,863 million.

The Company records provisional amounts for an income tax accounting effect of the Act, adopting Staff Accounting Bulletin 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act," which allows for recording provisional amounts based on a reasonable estimate for an income tax accounting effect of the Act enacted on December 22, 2017.

Note 15:

Research and Development Costs

Research and development costs charged to income for the fiscal years ended December 31, 2017, and 2016, are ¥12,427 million and ¥11,206 million, respectively.

Note 16:

Leases

Operating leases

Future minimum rental payments under non-cancellable operating leases at December 31, 2017, and 2016, are as follows:

	Millions of yen	
	2017	2016
Due within one year	¥ 2,652	¥2,509
Due after one year	8,270	6,576
Total	¥10,922	¥9,085

Note 17:

Financial Instruments

Group policy for financial instruments

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

Nature and extent of risks arising from financial instruments

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

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

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

Risk management for financial instruments

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

Fair value of financial instruments

The following tables present the carrying amounts and the fair value of financial instruments at December 31, 2017, and 2016. Financial instruments whose fair value is not reliably measured are excluded from the tables below.

			Millions of yen
			2017
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	¥ 17,883	¥ 17,883	¥ —
Notes and accounts receivable—trade	226,968	226,968	—
Investment securities			
Stocks of subsidiaries and affiliates	27,955	35,436	7,481
Other	19,537	19,537	—
Total	¥292,343	¥299,824	¥7,481

Liabilities:			
Notes and accounts payable—trade	¥117,199	¥117,199	¥ —
Short-term loans payable	61,385	61,385	—
Current portion of long-term loans payable	27,677	27,690	13
Lease obligations (current)	557	557	—
Income taxes payable	4,793	4,793	—
Bonds payable	50,000	50,395	395
Long-term loans payable	122,017	122,141	124
Lease obligations (non-current)	4,045	4,414	369
Total	¥387,673	¥388,574	¥ 901

Derivative financial instruments: (Note)			
Hedge accounting—not applied	¥ (394)	¥ (394)	¥ —
Hedge accounting—applied	(4)	(4)	—
Total	¥ (398)	¥ (398)	¥ —

Note: Figures are net of debts and credits that arise from derivative financial instruments. Net debt amounts are indicated in parentheses.

	Millions of yen		
	2016		
	Carrying amount	Fair value	Difference
Assets:			
Cash and deposits	¥ 17,241	¥ 17,241	¥ —
Notes and accounts receivable—trade	215,369	215,369	—
Investment securities			
Stocks of subsidiaries and affiliates	2,364	5,579	3,215
Other	15,888	15,888	—
Total	¥250,862	¥254,077	¥3,215

Liabilities:			
Notes and accounts payable—trade	¥ 94,392	¥ 94,392	¥ —
Short-term loans payable	52,744	52,744	—
Current portion of long-term loans payable	43,647	43,863	216
Lease obligations (current)	584	584	—
Income taxes payable	4,153	4,153	—
Bonds payable	30,000	30,075	75
Long-term loans payable	109,918	110,136	218
Lease obligations (non-current)	4,394	4,827	433
Total	¥339,832	¥340,774	¥ 942

Derivative financial instruments: (Note)			
Hedge accounting—not applied	¥ 472	¥ 472	¥ —
Hedge accounting—applied	(266)	(266)	—
Total	¥ 206	¥ 206	¥ —

Note: Figures are net of debts and credits that arise from derivative financial instruments. Net debt amounts are indicated in parentheses.

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

Assets

Cash and deposits and notes and accounts receivable–trade

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

Investment securities

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

Liabilities

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

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

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

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

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

Bonds payable

The fair value is measured at the quoted market prices.

Lease obligations (current) and 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

Please see Note 18 "Derivative Financial Instruments" for more information.

Financial instruments whose fair value is not reliably measured

There are no market prices for non-listed stocks and others (carrying amounts as of December 31, 2017, and 2016, are ¥29,375 million and ¥22,755 million, respectively) whose future cash flows cannot be estimated. The fair value of such non-listed stocks and others is not reliably determinable and thus is excluded from investment securities.

Redemption schedule for financial assets and securities

The redemption schedules for financial assets and securities with contractual maturities as of December 31, 2017, and 2016, are summarized as follows:

				Millions of yen
				2017
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Notes and accounts receivable—trade	**¥226,968**	**¥—**	**¥—**	**¥—**
Total	**¥226,968**	**¥—**	**¥—**	**¥—**

				Millions of yen
				2016
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Notes and accounts receivable—trade	¥215,369	¥—	¥—	¥—
Total	¥215,369	¥—	¥—	¥—

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

The repayment schedules for bonds payable, long-term loans payable and other interest-bearing debt with contractual maturities as of December 31, 2017, and 2016, are summarized as follows:

				Millions of yen
				2017
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Short-term loans payable	**¥61,385**	**¥ —**	**¥ —**	**¥ —**
Current portion of long-term loans payable	**27,677**	**—**	**—**	**—**
Lease obligations (current)	**557**	**—**	**—**	**—**
Bonds payable	**—**	**20,000**	**25,000**	**5,000**
Long-term loans payable	**—**	**112,017**	**10,000**	**—**
Lease obligations (non-current)	**—**	**1,925**	**2,120**	**—**
Total	**¥89,619**	**¥133,942**	**¥37,120**	**¥5,000**

	Millions of yen			
	2016			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Short-term loans payable	¥52,744	¥ —	¥ —	¥ —
Current portion of long-term loans payable	43,647	—	—	—
Lease obligations (current)	584	—	—	—
Bonds payable	—	—	25,000	5,000
Long-term loans payable	—	99,878	10,040	—
Lease obligations (non-current)	—	1,963	2,270	161
Total	¥96,975	¥101,841	¥37,310	¥5,161

Note 18:

Derivative Financial Instruments

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

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

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

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

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

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

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

Derivative transactions to which hedge accounting is not applied at December 31, 2017, and 2016

(1) Currency related

	Millions of yen			
	2017			
	Contract/notional amount	Contract/notional amount due after one year	Fair value	Unrealized gain/loss
Currency swaps: (Note 1)				
(Payment in H.K.$ and receipt in U.S.$)	¥ 826	¥—	¥ 12	¥ 12
Other	437	—	4	4
Currency options: (Note 1)				
Selling				
Euro	603	—	(5)	(5)
Buying				
U.S.$	6,578	—	(118)	(118)
Euro	1,124	—	2	2
Foreign currency forward contracts: (Note 2)				
Selling				
Russian ruble	5,812	—	(39)	(39)
Colombian peso	1,724	—	11	11
Canadian $	1,586	—	(108)	(108)
Other	1,486	—	(24)	(24)
Buying				
U.S.$	2,836	—	(101)	(101)
Other	291	—	(28)	(28)
Total	¥23,303	¥—	¥(394)	¥(394)

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

2. The fair value of foreign currency forward contracts is measured using the forward quotation.

	Millions of yen			
	2016			
	Contract/notional amount	Contract/notional amount due after one year	Fair value	Unrealized gain/loss
Currency swaps: (Note 1)				
(Payment in H.K.$ and receipt in U.S.$)	¥ 855	¥855	¥ 88	¥ 16
(Payment in Japanese yen and receipt in Korean won)	818	—	(18)	(18)
Other	100	—	1	1
Currency options: (Note 1)				
Selling				
GB pound	277	—	1	(1)
Buying				
U.S.$	7,835	—	356	337
Foreign currency forward contracts: (Note 2)				
Selling				
Russian ruble	4,638	—	(52)	49
Canadian $	1,573	—	6	(5)
Other	2,075	—	1	(1)
Buying				
U.S.$	3,694	—	97	94
Euro	1,029	—	(3)	(3)
Other	360	—	(5)	(5)
Total	¥23,254	¥855	¥472	¥464

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

2. The fair value of foreign currency forward contracts is measured using the forward quotation.

Derivative transactions to which hedge accounting is applied at December 31, 2017, and 2016

(1) Currency related

	Hedged item	Contract/notional amount	Contract/notional amount due after one year	Fair value
				Millions of yen
				2017
Foreign currency forward contracts: (Note 1)				
Selling				
U.S.$	Forecast transaction	¥ 1,582	¥—	¥ 9
Other		263	—	(2)
Buying				
U.S.$	Accounts payable—trade	113	—	(1)
Other		14	—	0
Foreign currency forward contracts: (Notes 1 and 2)				
Selling				
U.S.$	Accounts receivable—trade	3,094	—	
Other		356	—	
Buying				
U.S.$	Loans payable and Accounts payable—trade	1,379	—	
Chinese yuan		1,351	—	
Currency swaps: (Notes 1 and 2)				
(Payment in Japanese yen and receipt in U.S.$)	Loans payable	36,643	—	
Total		¥44,795	¥—	¥ 6

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

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

	Hedged item	Contract/notional amount (Millions of yen, 2016)	Contract/notional amount due after one year	Fair value
Foreign currency forward contracts: (Note 1)				
Selling				
Euro	Forecast transaction	¥ 178	¥ —	¥ (6)
U.S.$		3,973	—	(292)
Buying				
U.S.$	Accounts payable—trade	76	—	2
Foreign currency forward contracts: (Notes 1 and 2)				
Selling				
U.S.$	Accounts receivable—trade	2,613	—	
Euro		324	—	
Buying				
Chinese yuan	Loans payable	451	—	
Currency swaps: (Notes 1 and 2)				
(Payment in Japanese yen and receipt in U.S.$)	Loans payable	38,913	11,847	
Total		¥46,528	¥11,847	¥(296)

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

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

(2) Interest related

	Hedged item	Contract/notional amount (Millions of yen, **2017**)	Contract/notional amount due after one year	Fair value
Interest rate swaps: (Note) (Fixed rate payment, floating rate receipt)	Loans payable	**¥47,540**	**¥36,270**	
Total		**¥47,540**	**¥36,270**	**¥—**

Note: If interest rate swaps qualify for hedge accounting and meet certain specific criteria, they are settled together with loans payable subject to hedged transaction. Accordingly, the fair value of such interest rate swaps is reflected in loans payable.

	Hedged item	Contract/notional amount (Millions of yen, 2016)	Contract/notional amount due after one year	Fair value
Interest rate swaps: (Note)				
(Fixed rate payment, floating rate receipt)	Loans payable	¥46,838	¥15,000	
(Floating rate payment, floating rate receipt)		1,000	—	
Total		¥47,838	¥15,000	¥—

Note: If interest rate swaps qualify for hedge accounting and meet certain specific criteria, they are settled together with loans payable subject to hedged transaction. Accordingly, the fair value of such interest rate swaps is reflected in loans payable.

(3) Commodity related

	Hedged item	Millions of yen 2017 Contract/notional amount	Contract/notional amount due after one year	Fair value
Commodity swaps: (Note) (Fixed price payment, floating price receipt)	Fuel	¥170	¥47	¥(10)
Total		¥170	¥47	¥(10)

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

	Hedged item	Millions of yen 2016 Contract/notional amount	Contract/notional amount due after one year	Fair value
Commodity swaps: (Note) (Fixed price payment, floating price receipt)	Fuel	¥195	¥51	¥30
Total		¥195	¥51	¥30

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

Note 19:
Commitments and Contingent Liabilities

Contingent liabilities at December 31, 2017, and 2016, are as follows:

	Millions of yen 2017	2016
Trade notes discounted with banks	¥ 21	¥ 29
Liabilities for guarantee and other	705	771
Total	¥726	¥800

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

Note 20:

Other Comprehensive Income

Each component of other comprehensive income and related tax effects (including those on non-controlling interests) for the fiscal years ended December 31, 2017, and 2016, comprises the following:

	Millions of yen	
	2017	2016
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	¥ 3,940	¥ 2,303
Reclassification adjustments to profit (loss)	(214)	(123)
Amount before income tax effect	3,726	2,180
Income tax effect	(1,136)	(571)
Total	2,590	1,609
Deferred gains or losses on hedges:		
Gains (losses) arising during the year	37	(31)
Reclassification adjustments to profit (loss)	227	(148)
Amount before income tax effect	264	(179)
Income tax effect	(81)	67
Total	183	(112)
Foreign currency translation adjustment:		
Adjustments arising during the year	1,015	(18,179)
Reclassification adjustments to profit (loss)	(36)	—
Amount before income tax effect	979	(18,179)
Total	979	(18,179)
Remeasurements of defined benefit plans:		
Adjustments arising during the year	5,137	6,380
Reclassification adjustments to profit (loss)	1,216	2,724
Amount before income tax effect	6,353	9,104
Income tax effect	(1,635)	(2,838)
Total	4,718	6,266
Share of other comprehensive income of associates accounted for using equity method:		
Gains (losses) arising during the year	1,565	(972)
Reclassification adjustments to profit (loss)	(2)	7
Total	1,563	(965)
Total other comprehensive income	¥10,033	¥(11,381)

Note 21:

Subsequent Events

At the Company's annual general meeting of shareholders held on March 29, 2018, the shareholders approved the following appropriations of retained earnings:

	Millions of yen
Cash dividends, ¥60.00 per share	¥5,688
Total	¥5,688

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

Note 22:

Segment Information

(1) Segment information

Description of reportable segments

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

The Group has seven product divisions, namely "Printing Inks," "Pigments," "Liquid Crystal Materials," "Polymers," "Liquid Compounds," "Solid Compounds" and "Application Materials," and each product division conducts its business.

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

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

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

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

Segment profits are based on operating income.

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

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

Millions of yen

	2017							
	Reportable Segment							
	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Total	Others	Total
Sales:								
Sales to customers	¥373,666	¥100,878	¥193,649	¥64,605	¥56,019	¥788,817	¥ 610	¥789,427
Intersegment sales	—	34,542	4,234	75	58	38,909	—	38,909
Total sales	373,666	135,420	197,883	64,680	56,077	827,726	610	828,336
Segment profit	17,447	17,355	19,608	4,989	2,598	61,997	58	62,055
Segment assets	¥324,999	¥ 98,203	¥214,438	¥94,350	¥53,239	¥785,229	¥39,905	¥825,134
Others:								
Depreciation and amortization	10,741	4,906	7,931	4,500	2,006	30,084	408	30,492
Amortization of goodwill	54	124	137	—	—	315	30	345
Investments in affiliates	2,754	1,001	20,973	24,788	1,583	51,099	3,167	54,266
Increase in property, plant and equipment and intangible assets	8,549	5,193	9,111	5,385	3,034	31,272	382	31,654

	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Total	Others	Total
	Millions of yen							
	2016							
	Reportable Segment							
Sales:								
Sales to customers	¥365,189	¥ 91,642	¥177,158	¥61,056	¥55,614	¥750,659	¥ 779	¥751,438
Intersegment sales	—	36,534	3,777	63	61	40,435	—	40,435
Total sales	365,189	128,176	180,935	61,119	55,675	791,094	779	791,873
Segment profit	18,363	14,430	19,642	4,975	1,867	59,277	45	59,322
Segment assets	¥312,608	¥ 99,280	¥195,521	¥64,499	¥53,732	¥725,640	¥37,558	¥763,198
Others:								
Depreciation and amortization	12,485	4,807	7,435	4,277	2,249	31,253	402	31,655
Amortization of goodwill	42	133	164	4	—	343	30	373
Investments in affiliates	1,164	1,015	17,115	—	1,417	20,711	2,365	23,076
Increase in property, plant and equipment and intangible assets	10,531	3,859	8,725	4,577	1,984	29,676	357	30,033

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

	Millions of yen	
	2017	2016
Sales:		
Reportable segment total	**¥827,726**	¥791,094
Sales in "Others"	**610**	779
Elimination of intersegment transactions	**(38,909)**	(40,435)
Sales in consolidated financial statements	**¥789,427**	¥751,438

	Millions of yen	
	2017	2016
Profit:		
Reportable segment total	**¥61,997**	¥59,277
Profit in "Others"	**58**	45
Corporate expenses	**(5,572)**	(5,140)
Operating income in consolidated financial statements	**¥56,483**	¥54,182

Note: Corporate expenses consist substantially of R&D expenses incurred by the DIC Central Research Laboratories to develop new products, which is not included in reportable segment.

	Millions of yen	
	2017	2016
Assets:		
Reportable segment total	**¥785,229**	¥725,640
Assets in "Others"	**39,905**	37,558
Elimination between segments	**(39,793)**	(38,942)
Corporate assets	**46,415**	40,572
Assets in consolidated financial statements	**¥831,756**	¥764,828

Note: Corporate assets consist of deferred tax assets and assets of the DIC Central Research Laboratories and Kawamura Memorial DIC Museum of Art, which is not included in reportable segment.

Other items are as follows:

Millions of yen

	2017				2016			
	Reportable Segments	Others	Adjustments	Consolidated	Reportable Segments	Others	Adjustments	Consolidated
Depreciation and amortization	¥30,084	¥ 408	¥1,032	¥31,524	¥31,253	¥ 402	¥ 789	¥32,444
Amortization of goodwill	315	30	—	345	343	30	—	373
Investments in affiliates	51,099	3,167	—	54,266	20,711	2,365	—	23,076
Increase in property, plant and equipment and intangible assets	31,272	382	1,930	33,584	29,676	357	1,246	31,279

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

(2) Related information

Information about geographical areas

Millions of yen

	2017			
	Japan	USA	Others	Total
Net sales (Note)	¥288,608	¥101,129	¥399,690	¥789,427
Property, plant and equipment	125,369	26,817	79,491	231,677

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

Millions of yen

	2016			
	Japan	USA	Others	Total
Net sales (Note)	¥282,457	¥97,898	¥371,083	¥751,438
Property, plant and equipment	121,982	28,360	76,318	226,660

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

Information about major customers

Not applicable for the fiscal years ended December 31, 2017, and 2016, because there is no single customer which accounts for more than 10% of net sales shown on the consolidated statement of income.

(3) Impairment loss of assets by reportable segment

Millions of yen

	2017							
	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Others	Corporate and eliminations	Consolidated
Impairment loss	¥200	¥—	¥34	¥—	¥—	¥—	¥—	¥234

There was no impairment loss of assets for the fiscal year ended December 31, 2016.

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

Millions of yen

	2017							
	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Others	Corporate and eliminations	Consolidated
Amortization	¥54	¥124	¥137	¥—	¥—	¥30	¥—	¥345
Unamortized balances	65	1	103	—	—	30	—	199

Millions of yen

	2016							
	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Others	Corporate and eliminations	Consolidated
Amortization	¥42	¥133	¥164	¥ 4	¥—	¥30	¥—	¥373
Unamortized balances	73	128	240	—	—	60	—	501

(5) Gain on bargain purchase by reportable segment

There was no gain on bargain purchase for the fiscal year ended December 31, 2017.

	Printing Inks	Fine Chemicals	Polymers	Compounds	Application Materials	Others	Corporate and eliminations	Consolidated
								Millions of yen
								2016
Gain on bargain purchase	¥—	¥—	¥78	¥—	¥—	¥—	¥—	¥78

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

Note 23: Related-Party Transactions

(1) Related-party transactions with the Company

Related-party transactions with directors, corporate auditors, major individual shareholders and others of the Company for the fiscal years ended December 31, 2017, and 2016, are as follows:

Millions of yen

2017

Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned a majority of the voting rights (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	Owned Direct 5.61% Indirect 7.81%	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	2,196	Security deposit	1,758
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Direct 4.50%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 5)	530	Trade notes and accounts payable, and other accounts payable	234
							Sales of merchandise and finished goods, and offering of service (Note 6)	55	Trade notes and accounts receivable	24
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Direct 3.31%	Purchase of raw materials and others	Purchase of raw materials and others (Note 7)	5,388	Trade notes and accounts payable, and other accounts payable	1,503
							Sales of merchandise and finished goods, and offering of service (Note 6)	4,079	Trade accounts receivable and other accounts receivable	1,618

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

Millions of yen

2016

Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned a majority of the voting rights (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	Owned Direct 5.61% Indirect 7.81%	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	2,083	Security deposit	1,777
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Direct 4.50%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 5)	481	Trade notes and accounts payable, and other accounts payable	187
							Sales of merchandise and finished goods, and offering of service (Note 6)	55	Trade notes and accounts receivable	21
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Direct 3.31%	Purchase of raw materials and others	Purchase of raw materials and others (Note 7)	4,882	Trade notes and accounts payable, and other accounts payable	1,142
							Sales of merchandise and finished goods, and offering of service (Note 6)	3,741	Trade accounts receivable and other accounts receivable	1,373

Notes: 1. Excluding consumption taxes.

2. Including consumption taxes.

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

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

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

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

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

(2) Related-party transactions with the consolidated subsidiaries

Related-party transactions with directors, corporate auditors, major individual shareholders and others of the Company for the fiscal years ended December 31, 2017, and 2016, are as follows:

Millions of yen

Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
										2017
Companies where directors and their close relatives owned a majority of the voting rights (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	Owned Indirect 13.42%	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	16	Security deposit	8
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Indirect 4.50%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 5)	620	Trade notes and accounts payable, and other accounts payable	264
							Sales of merchandise and finished goods, and offering of service (Note 6)	57	Trade notes and accounts receivable	25
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Indirect 3.31%	Purchase of raw materials and others	Purchase of raw materials and others (Note 7)	978	Trade notes and accounts payable, and other accounts payable	186
							Sales of merchandise and finished goods, and offering of service (Note 6)	478	Trade accounts receivable and other accounts receivable	147

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

Millions of yen

2016

Sort of related party	Name	Location	Capital or invest-ment	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of trans-action (Note 1)	Account	Balance at year-end (Note 2)
Companies where directors and their close relatives owned a majority of the voting rights (Note 3)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	Owned Indirect 13.42%	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	16	Security deposit	8
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	Owned Indirect 4.50%	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 5)	641	Trade notes and accounts payable, and other accounts payable	172
							Sales of merchandise and finished goods, and offering of service (Note 6)	56	Trade notes and accounts receivable	24
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	Owned Indirect 3.31%	Purchase of raw materials and others	Purchase of raw materials and others (Note 7)	690	Trade notes and accounts payable, and other accounts payable	164
							Sales of merchandise and finished goods, and offering of service (Note 6)	387	Trade accounts receivable and other accounts receivable	132

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

1. Basic framework for internal control over financial reporting

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

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

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

The assessment of internal control over financial reporting for fiscal year 2017 was conducted as of December 31, 2017, which is the end of this fiscal year. The assessment was performed in accordance with relevant assessment standards generally accepted in Japan for internal control over financial reporting.

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

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

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

3. Results of the assessment

Based on the results of the assessment, we concluded that as of the end of the fiscal year ended December 31, 2017, the Company's internal control over financial reporting was effectively maintained.

Kaoru Ino
Representative Director, President and CEO
DIC Corporation

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of DIC Corporation:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of DIC Corporation and its subsidiaries as of December 31, 2017, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DIC Corporation and its subsidiaries as of December 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Report on Internal Control

We have audited management's report on internal control over financial reporting of the consolidated financial statements of DIC Corporation as of December 31, 2017.

Management's Responsibility for Report on Internal Control

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of DIC Corporation as of December 31, 2017 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Deloitte Touche Tohmatsu LLC

March 29, 2018

43 Investor Information and Corporate Data

(As of December 31, 2017)

Investor Information

Common Stock

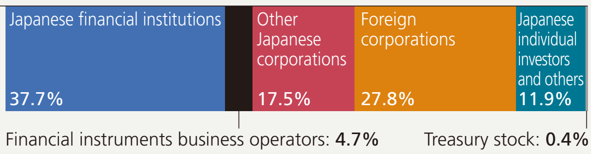
DIC common stock is listed and traded on the Tokyo Stock Exchange. There were 36,895 shareholders of record on December 31, 2016. On the Tokyo Stock Exchange, the high and low prices for each quarter of the years 2017 and 2016 were as follows:

	2017		2016	
	High	Low	High	Low
Jan.–Mar.	**¥4,365**	**¥3,300**	¥3,310	¥2,260
Apr.–Jun.	**4,195**	**3,650**	2,630	2,340
Jul.–Sept.	**4,415**	**3,710**	3,270	2,037
Oct.–Dec.	**4,375**	**3,820**	3,845	2,915

*Stock price figures have been adjusted to account for the impact of a consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date.

Total Number of Shares Authorized	150,000,000 shares
Number of Unit Shares	100 shares
Paid-in Capital	¥96,556,692,787 (95,156,904 shares)
Independent Public Accountants	Deloitte Touche Tohmatsu LLC

Distribution of Shareholders



Major Shareholders

	Number of Shares Owned (Thousands)	Percentage of Total
Nissei Real-Estate Co., Ltd.	5,310	5.60%
Japan Trustee Services Bank, Ltd. (Trust Account)	4,715	4.97
Dainichi Can Co., Ltd.	4,256	4.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,948	4.17
JP MORGAN CHASE BANK 385632	3,527	3.72
The Dai-ichi Life Insurance Company, Limited	3,500	3.69
Nissin Trading Co., Ltd.	3,127	3.30
Japan Trustee Services Bank, Ltd. (Trust Account 4)	3,055	3.22
Aioi Nissay Dowa Insurance Co., Ltd.	2,590	2.73
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,337	2.47
	36,365	38.36%

Transfer Agent

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

Meeting of Shareholders

Our annual meeting of shareholders is held in March.

For Further Information, Contact:

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

Corporate Data

Registered Address

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

Corporate Headquarters

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

Principal Domestic Offices, Plants and Laboratories (Nonconsolidated)

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

Number of Employees

20,628

Date of Foundation

February 15, 1908

Date of Incorporation

March 15, 1937

Color & Comfort

DIC Corporation

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