



To our shareholders:

Items Disclosed via the Internet Concerning the Notice of  
Convocation of the 119th Annual General Meeting of Shareholders

**Notes to Consolidated Financial Statements**

**Notes to Non-Consolidated Financial Statements**

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

DIC Corporation



## Notes to Consolidated Financial Statements

### I. Significant Accounting Policies

#### 1. Scope of Consolidation

Number of consolidated subsidiaries 150

(Sun Chemical Group Coöperatief U.A., DIC (China) Co., Ltd., DIC Asia Pacific Pte Ltd, SEIKO PMC CORPORATION, DIC Investments Japan, LLC., DIC Graphics Corporation and others)

Change in scope of consolidation

Increase: 2 companies Gwent Electronic Materials Ltd. (acquisition of shares) and others

Decrease: 4 companies DIC Molding, Inc. (merger) and others

#### 2. Scope of Equity Method

Number of companies accounted for by the equity method 23

(Renaissance, Inc. and others)

Change in scope of equity method

Increase: 1 company Coates Brothers (West Africa) Ltd. (change to an affiliate)

Decrease: None

#### 3. Accounting Period of Consolidated Subsidiaries

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

#### 4. Accounting Policies

##### (1) Methods and Standards for Valuation of Significant Assets

###### (a) Securities

Available-for-sale securities are carried at fair value as of the balance sheet date, with unrealized gain and loss, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is calculated by the moving average method.

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

###### (b) Derivatives

Derivatives are carried at fair value.

###### (c) Inventories

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



## (2) Method for Depreciation of Non-Current Assets

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

The Company and its domestic consolidated subsidiaries:

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

Foreign consolidated subsidiaries:

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

The principal useful lives are as follows:

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

### (b) Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method.

### (c) Leased assets

The Company and its domestic consolidated subsidiaries:

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

Foreign consolidated subsidiaries:

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

## (3) Standards for Accrual

### (a) Allowance for doubtful accounts

The Company and its domestic consolidated subsidiaries:

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

Foreign consolidated subsidiaries:

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



(b) Provision for bonuses

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

(4) Retirement and Pension Plans

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

Foreign consolidated subsidiaries are accounted for in accordance with either the generally accepted accounting principles in the United States or the International Financial Reporting Standards. Actuarial gains and losses are amortized in the succeeding year primarily by the straight-line method over stated years that do not exceed the average remaining service period of the eligible employees (10-28 years). Past service costs are amortized over 4-26 years.

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

(5) Foreign Currency Translation

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

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

(6) Method for Hedge Accounting

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



(7) Consumption Taxes

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

5. Amortization of Goodwill

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

6. Changes in Accounting Policies

*Application of Accounting Standard for Business Combinations and other regulations*

Effective from the beginning of the fiscal year ended December 31, 2016, the Company has applied “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year ended December 31, 2016, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for “Net income” and other related items was changed, and the presentation of “Minority interests” was changed to “Non-controlling interests.”

Application of “Accounting Standard for Business Combinations,” etc., is in line with the transitional measures provided for in paragraph 58-2 (4) of “Accounting Standard for Business Combinations,” paragraph 44-5 (4) of “Accounting Standard for Consolidated Financial Statements” and paragraph 57-4 (4) of “Accounting Standard for Business Divestitures.” The Company is applying the standards prospectively from the beginning of the fiscal year ended December 31, 2016.

As a result, the impact of this change on the consolidated financial statements for the fiscal year ended December 31, 2016 was immaterial.

*Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016*

Following the revision to the Corporation Tax Act, the Company has applied “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force No. 32, June 17, 2016) from the second quarter ended June 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.



As a result, the impact of this change on the consolidated financial statements for the fiscal year ended December 31, 2016 was immaterial.

## 7. Changes in Presentation

### (Consolidated Balance Sheet)

“Long-term loans receivable” of “Investments and other assets,” which had previously been separately presented, is included in “Other” from the fiscal year ended December 31, 2016, because its materiality has decreased.

The balance which is included in “Other” as of December 31, 2016 is 44 million yen.

## II. Notes to Consolidated Balance Sheet

	(Millions of yen)
1. Accumulated Depreciation of Property, Plant and Equipment	¥545,419
2. Assets Pledged for Collateral and Secured Liabilities	
(a) Assets pledged for collateral	(Millions of yen)
Notes and accounts receivable-trade	¥3,488
Inventories	1,753
Buildings and structures	310
Land	251
Total	¥5,802
(b) Secured liabilities	
None.	
3. Contingent Liabilities	(Millions of yen)
(a) Liability for guarantee	¥771
(b) Trade notes discounted	¥29
(c) Trade notes endorsed	¥178

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

	(Shares)
1. Number of Common Stock Issued at the End of Period	95,156,904
Note: 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.	



## 2. Cash Dividends

### (a) Amount of cash dividends paid

Resolution	Type of stock	Dividends in total (Millions of yen)	Cash dividends per share (Yen)	Record date	Dividend payment
March 29, 2016 Annual General Meeting of Shareholders	Common stock	¥3,792	¥4	December 31, 2015	March 30, 2016
August 9, 2016 Meeting of the Board of Directors	Common stock	¥3,792	¥4	June 30, 2016	September 1, 2016
Total		¥7,585			

Note: The impact of the consolidation of shares implemented on July 1, 2016, has not been taken into consideration in the calculation of cash dividends per share approved at the meeting of the board of directors on August 9, 2016 because the record date was June 30, 2016.

### (b) Amount of cash dividends to be paid

Resolution	Type of stock	Funds for dividends	Dividends in total (Millions of yen)	Cash dividends per share (Yen)	Record date	Dividend payment
March 29, 2017 Annual General Meeting of Shareholders	Common stock	Retained earnings	¥5,688	¥60	December 31, 2016	March 30, 2017

## IV. Notes to Financial Instruments

### 1. Status of Financial Instruments

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

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

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



## 2. Fair Value of Financial Instruments

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

(Millions of yen)

		Carrying Amount	Fair Value	Difference
①	Cash and deposits	17,241	17,241	—
②	Notes and accounts receivable-trade	215,369	215,369	—
③	Investment securities			
	Stocks of subsidiaries and affiliates	2,364	5,579	3,215
	Available-for-sale securities	15,888	15,888	—
	Assets total	250,862	254,077	3,215
①	Notes and accounts payable-trade	94,392	94,392	—
②	Short-term loans payable	52,744	52,744	—
③	Current portion of long-term loans payable	43,647	43,863	216
④	Lease obligations (current)	584	584	—
⑤	Income taxes payable	4,153	4,153	—
⑥	Bonds payable	30,000	30,075	75
⑦	Long-term loans payable	109,918	110,136	218
⑧	Lease obligations (non-current)	4,394	4,827	433
	Liabilities total	339,832	340,774	942
	Derivative financial instruments (*1)			
①	Hedge accounting - Not applied	472	472	—
②	Hedge accounting - Applied	(266)	(266)	—
	Derivative financial instruments total	206	206	—

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

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

### Assets

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

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

#### ③ Investment securities

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





### Liabilities

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

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

- ③ Current portion of long-term loans payable, ⑦ Long-term loans payable

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

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

- ⑥ Bonds payable

As for bonds payable which has observable market prices, the fair value is measured using the quoted market prices.

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

The fair value of these accounts is determined by discounting the cash flows related to the lease obligations. The discount rate applied for the calculation above is the interest rate that may be currently available to the Group for lease obligations with similar terms and conditions.

### Derivative Financial Instruments

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

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

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



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

There are no market prices for non-listed stocks and others (carrying amount of ¥22,755 million) whose future cash flows cannot be estimated. The fair value of such non-listed stocks and others is not reliably determined and thus excluded from ③ “Investment securities.”

## V. Per Share Information

	(Yen)
Stockholders' equity per share	¥2,938.12
Earnings per share	¥366.72

Note: 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 is calculated based on the assumption that the consolidation had been implemented at the beginning of the fiscal year ended December 31, 2016.

## VI. Significant Subsequent Events

At a meeting of its board of directors on January 25, 2017, the Company resolved to enter into a capital and business alliance with TAIYO HOLDINGS CO., LTD., as a result of which TAIYO HOLDINGS CO., LTD. would become an equity-method affiliate of the Company. A capital and business alliance agreement between the companies was concluded on the same day. The Company acquired shares on February 10, 2017.

### 1. Purpose of the capital and business alliance

The Company and TAIYO HOLDINGS CO., LTD. aim to increase the benefits to be gained by bringing together the former's materials development capabilities, which draw on core technologies cultivated over many years, and the latter's firm understanding of market needs, which reflect an extensive supply chain from solder resist to printed wiring boards.

### 2. Name of the entity from which the Company acquired shares

TAIYO HOLDINGS CO., LTD.

### 3. Name, principal businesses and stated capital of the entity of which the Company acquired shares

(1) Name TAIYO HOLDINGS CO., LTD.

(2) Principal businesses Manufacture and sale, as well as purchase and sale, of chemical products for use in electronics components

(3) Stated capital ¥6,265 million (as of December 31, 2016)

### 4. Date of share acquisition

February 10, 2017



5. Number of shares acquired by the Company, cost of acquisition and rate of voting rights acquired
- |                                      |                                                  |
|--------------------------------------|--------------------------------------------------|
| (1) Number of shares acquired        | 5,617,300                                        |
|                                      | New shares: 1,312,600 shares (common stock)      |
|                                      | Treasury shares: 4,304,700 shares (common stock) |
| (2) Cost of acquisition              | ¥24,873 million                                  |
| (3) Ration of voting rights acquired | 19.50%                                           |
6. Funding and method of payment
- The Company paid by its own funds and loans.

## **VII. Others**

Japanese yen amounts are rounded to the nearest million.



## Notes to Non-Consolidated Financial Statements

### I . Significant Accounting Policies

#### 1. Methods and Standards for Valuation of Securities

Securities of subsidiaries and affiliates:

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

Other securities:

Marketable securities

Marketable securities are carried at fair value as of the balance sheet date, with unrealized gain and loss, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is calculated by the moving-average method.

Non-marketable securities

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

#### 2. Methods and Standards for Valuation of Derivatives

Derivatives are carried at fair value.

#### 3. Methods and Standards for Valuation of Inventories

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

#### 4. Method for Depreciation of Non-Current Assets

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

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

straight-line method

Furniture and fixtures:

declining-balance method

Other property, plant and equipment:

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

The principal useful lives are as follows:

Buildings	8 - 50 years
Machinery and equipment	8 years

##### (2) Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method.

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



(3) Leased assets

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

5. Foreign Currency Translation

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

6. Standards for Accrual

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for directors' bonuses

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

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

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

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

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

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

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

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

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

7. Method for deferred assets

Bond issuance cost is expensed upon payment.



#### 8. Method for Hedge Accounting

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

#### 9. Method for Consumption Taxes

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

#### 10. Retirement and Pension Plans

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

#### 11. Changes in Accounting Policies

##### *Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016*

Following the revision to the Corporation Tax Act, the Company has applied “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force No. 32, June 17, 2016) from the second quarter ended June 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

As a result, the impact of this change on the non-consolidated financial statements for the fiscal year ended December 31, 2016 was immaterial.

## II. Notes to Non-Consolidated Balance Sheet

(Millions of yen)

1. Accumulated Depreciation of Property, Plant and Equipment	¥263,581
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## 2. Contingent Liabilities and Others

### (1) Liability for guarantee

(Millions of yen)

Guaranteed party	Amount	Contents of guarantee
DIC Graphics Corporation	2,036	Purchase and factoring liabilities
DIC Plastics, Inc.	888	Purchase and factoring liabilities
CAST FILM JAPAN CO., LTD.	575	Loans from financial institutions
6 companies and others	1,266	Loans from financial institutions and others
Total	4,765	

(Millions of yen)

### (2) Trade notes discounted

¥33

(Millions of yen)

3. Short-term receivables from subsidiaries and affiliates	¥40,484
Long-term receivables from subsidiaries and affiliates	¥478
Short-term liabilities to subsidiaries and affiliates	¥66,447

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

### Transactions with subsidiaries and affiliates

(Millions of yen)

Sales	¥52,361
Purchases	¥36,386
Other transactions	¥7,928

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

### Type and number of treasury stock, at cost

(Shares)

	As of January 1, 2016	Increase in FY 2016	Decrease in FY 2016	As of December 31, 2016
Common stock (Note 1,2)	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).



## V. Tax Effect Accounting

1. A breakdown of the major components of deferred tax assets and liabilities as of December 31, 2016 is as follows:

	(Millions of yen)
Deferred gains or losses on hedges	¥2,133
Stocks of subsidiaries and affiliates	1,496
Provision for bonuses	1,445
Others	5,890
Subtotal deferred tax assets	¥10,965
Valuation allowance	(3,235)
Total deferred tax assets	¥7,729
	(Millions of yen)
Stocks of subsidiaries and affiliates	¥(3,478)
Provision for tax deferment of property, plant and equipment	(2,858)
Foreign exchange losses of loans denominated in foreign currencies	(2,041)
Others	(3,879)
Total deferred tax liabilities	¥(12,257)
Total deferred tax assets (net)	¥(4,527)

2. Influence from changes in corporation tax rate

As a result of the "Act for Partial Amendment of the Income Tax Act" (Act No. 15 of 2016) and the "Act for Partial Amendment of the Local Tax Act" (Act No. 13 of 2016) passed in the Diet on March 29, 2016, the normal effective statutory tax rate used to calculate deferred tax assets or liabilities changed from 32.3% to 30.9% for those temporary differences expected in fiscal year 2017 and fiscal year 2018, and to 30.6% for those temporary differences expected after fiscal year 2019, respectively.

Consequently, deferred tax assets decreased by 390 million yen and deferred tax liabilities decreased by 680 million yen, respectively. Additionally, income taxes-deferred (credit) recognized in the fiscal year ended December 31, 2016 increased by 294 million yen, valuation difference on available-for-sale securities (credit) increased by 113 million yen, and deferred gains or losses on hedges (debit) increased by 118 million yen, respectively.





## VI. Related-party Transactions

### 1. Related Companies

(Millions of yen)

Attribution	Name of Related-party	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of transaction (Note 1)	Balance at year-end	
						Account	Amount (Note 2)
Subsidiaries	DIC Graphics Corporation	Owning Direct 66.6%	Sales of raw materials, and others Concurrent post of officer	Sales of raw materials and others (Note 3)	22,220	Accounts receivable -other	5,382
				Loan transaction (Note 4)	7,898	Short-term loans payable	6,474
	DIC Investments Japan, LLC.	Owning Direct 100%	Loan transaction Concurrent post of officer	Loan transaction (Note 4)	31,496	Short-term loans payable	31,785

(Notes)

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



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

(Millions of yen)

Attribution	Name of Related-party	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of transaction (Note 1)	Balance at year-end	
						Account	Amount (Note 2)
Companies where directors and their close relatives owned majority of the shares (Note 3)	Nissei Real-Estate Co., Ltd.	Owned Direct 5.61% Indirect 7.81%	Rental of buildings and others	Payment of rent for buildings and others (Note 4)	2,083	Security deposit	1,777
	Dainichi Can Co., Ltd.	Owned Direct 4.50%	Purchase of metallic containers, and others	Purchase of metallic containers and others (Note 5)	481	Trade notes, accounts payable-trade, and accounts payable-other	187
				Sale of merchandise and finished goods, and offering of service (Note 6)	55	Trade notes and accounts receivable	21
	Nissin Trading Co., Ltd.	Owned Direct 3.31%	Purchase of raw materials, and others	Purchase of raw materials and others (Note 7)	4,882	Trade notes, accounts payable-trade, and accounts payable-other	1,142
				Sale of merchandise and finished goods, and offering of service (Note 6)	3,741	Accounts receivable-trade and accounts receivable-other	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 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 price of metallic containers and others is determined based on an arms-length transaction.
6. Prices of sale of merchandise and finished goods, and offering of service are determined on an arms-length transaction.
7. Purchase price of raw materials and others is determined on an arms-length transaction.



## VII. Per Share Information

	(Yen)
Stockholders' equity per share	¥2800.62
Earnings per share	¥162.03
Note: 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 is calculated based on the assumption that the consolidation had been implemented at the beginning of the fiscal year ended December 31, 2016.	

## VIII. Significant Subsequent Events

At a meeting of its board of directors on January 25, 2017, the Company resolved to enter into a capital and business alliance with TAIYO HOLDINGS CO., LTD., as a result of which TAIYO HOLDINGS CO., LTD. would become an equity-method affiliate of the Company. A capital and business alliance agreement between the companies was concluded on the same day. The Company acquired shares on February 10, 2017.

### 1. Purpose of the capital and business alliance

The Company and TAIYO HOLDINGS CO., LTD. aim to increase the benefits to be gained by bringing together the former's materials development capabilities, which draw on core technologies cultivated over many years, and the latter's firm understanding of market needs, which reflect an extensive supply chain from solder resist to printed wiring boards.

### 2. Name of the entity from which the Company acquired shares

TAIYO HOLDINGS CO., LTD.

### 3. Name, principal businesses and stated capital of the entity of which the Company acquired shares

- (1) Name TAIYO HOLDINGS CO., LTD.
- (2) Principal businesses Manufacture and sale, as well as purchase and sale, of chemical products for use in electronics components
- (3) Stated capital ¥6,265 million (as of December 31, 2016)

### 4. Date of share acquisition

February 10, 2017

### 5. Number of shares acquired by the Company, cost of acquisition and rate of voting rights acquired

- (1) Number of shares acquired 5,617,300
  - New shares: 1,312,600 shares (common stock)
  - Treasury shares: 4,304,700 shares (common stock)
- (2) Cost of acquisition ¥24,873 million
- (3) Ration of voting rights acquired 19.50%



6. Funding and method of payment

The Company paid by its own funds and loans.

**IX. Others**

Japanese yen amounts are rounded to the nearest million.