



Consolidated Financial Results for the Nine Months Ended September 30, 2014 (Japan GAAP) (Fiscal year ending December 31, 2014)

Company name: DIC Corporation

Listing Code number: 4631

URL: <http://www.dic-global.com/en/>

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Preparation of Supplemental Explanatory Materials: Yes

Holding of Quarterly Financial Results Meeting: No

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1. Consolidated Financial Results for the Nine Months Ended September 30, 2014 (January 1, 2014 – September 30, 2014)

Note: Yen amounts are rounded to the nearest million, except for per share information.

(1) Consolidated operating results

	Net sales		Operating income		Ordinary income		Net income	
	JPY (million)	%	JPY (million)	%	JPY (million)	%	JPY (million)	%
First nine months of FY2014	614,528	—	29,675	—	28,481	—	16,438	—
First nine months of FY2013	—	—	—	—	—	—	—	—

Note: Comprehensive income (JPY million): First nine months of FY2014 23,671 (— %), First nine months of FY2013 — (— %)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
First nine months of FY2014	17.61	—
First nine months of FY2013	—	—

Effective from fiscal year 2013, ended December 31, 2013, DIC Corporation and its domestic subsidiaries, with the exception of one company, changed their fiscal year-end from March 31 to December 31. Because consolidated financial statements were not prepared for the first nine months of fiscal year 2013, the consolidated operating results and percentage changes are not given.

Note: The percentages below represent changes from results for the first nine months of fiscal year 2013 adjusted to represent the same accounting period as the first nine months of fiscal year 2014 (January 1 – September 30).

Net sales	Operating income	Ordinary income	Net income
614,528 6.9%	29,675 -11.2%	28,481 -4.3%	16,438 18.1% (JPY million)

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of September 30, 2014	797,195	246,850	28.0
As of December 31, 2013	761,690	218,947	25.6

Note: Shareholders' equity (JPY million): As of September 30, 2014 223,096, As of December 31, 2013 195,218

2. Cash dividends

(Record date)	Cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual
	JPY	JPY	JPY	JPY	JPY
FY2013	—	3.00	—	3.00	6.00
FY2014	—	3.00	—	—	—
FY2014 (Plan)	—	—	—	3.00	6.00

Note: Revision of the forecast for the dividends payment: No

3. Forecast for Consolidated Operating Results for the Fiscal Year Ending December 31, 2014 (January 1, 2014 – December 31, 2014)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share basic
	JPY (million)	%	JPY (million)	%	JPY (million)	%	JPY (million)	%	JPY
FY2014	840,000	—	40,000	—	38,000	—	22,000	—	23.39

Note: Revision of the forecast for the consolidated operating results for the fiscal year ending December 31, 2014: Yes

Owing to the change in its fiscal year-end, for DIC Corporation and all its domestic subsidiaries but one, which previously closed their books on March 31, fiscal year 2013 was a transitional irregular nine-month period (April 1 – December 31, 2013). For this reason, percentage changes are not given.

Note: The percentages below represent changes from fiscal year 2013 results adjusted to represent the same accounting period as fiscal year 2014 (January 1 – December 31).

	Net sales		Operating income		Ordinary income		Net income		
FY2014	840,000	7.1%	40,000	-9.3%	38,000	-7.1%	22,000	-23.5%	(JPY million)

Notes

(1) Changes in the scope of consolidation for significant subsidiaries during the nine months ended September 30, 2014 : No

(2) Adoption of accounting methods which are exceptional for quarterly consolidated financial statements : Yes

(3) Changes in accounting policies and accounting estimates, and restatements

- 1) Changes in accounting policies arising from revision of accounting standards : No
- 2) Changes in accounting policies other than 1) : No
- 3) Changes in accounting estimates : No
- 4) Restatements : No

(4) Number of common stocks

- 1) Number of common stocks issued at the end of period, including treasury shares

As of September 30, 2014	965,372,048 shares,	As of December 31, 2013	919,372,048 shares
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- 2) Number of treasury shares at the end of period

As of September 30, 2014	3,433,596 shares,	As of December 31, 2013	3,396,764 shares
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- 3) Average number of common stocks issued during period, excluding treasury shares

For the first nine months of FY2014	933,598,202 shares,	For the first nine months of FY2013	— shares
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Note: Effective from fiscal year 2013, ended December 31, 2013, DIC Corporation changed its fiscal year-end from March 31 to December 31. Because consolidated financial statements were not prepared for the first nine months of fiscal year 2013, the average number of common stocks issued during period, excluding treasury shares are not given.

Note: Implementation status of quarterly review procedures

Although these quarterly consolidated financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Law, the quarterly consolidated financial statement review procedures have been completed at the time of disclosure of these financial results.

Note: Explanation of the appropriate use of performance forecasts, and other special items

The above forecasts of future performance are based on information available to the Company at the present time and are subject to potential risks and uncertainty. Accordingly, the users should be aware that actual results may differ from any expressed future performance herein due to various factors.

Analysis of Results of Operations

Effective from fiscal year 2013, ended December 31, 2013, DIC Corporation and its domestic subsidiaries, with the exception of one company, changed their fiscal year-end from March 31 to December 31. This document presents consolidated results for the first nine months of fiscal year 2014, comprising the accounts for the nine months ended September 30, 2014, of DIC and its domestic and overseas subsidiaries. For the purpose of comparison, figures for the first nine months of fiscal year 2013 have been adjusted to represent the same accounting period as the first nine months of fiscal year 2014. Percentage changes represent increases or decreases from the adjusted figures.

(1) Overview of Operating Results

In the first nine months of fiscal year 2014, the nine months ended September 30, 2014, the trend toward economic recovery in North America and Europe clarified. In contrast, instability lingered in Asia, reflecting, among others, slowing growth in the People's Republic of China (PRC) and Southeast Asia. In Japan, demand remained weak, underscored by such factors as a protracted negative rebound in customer demand following the sharp spike that preceded the recent consumption tax hike.

In this environment, consolidated net sales advanced 6.9% from the first nine months of fiscal year 2013, to ¥614.5 billion, as results benefited from the positive impact of higher shipments and the depreciation of the yen.

Operating income, at ¥29.7 billion, was down 11.2%, owing to a number of factors, including an increase in raw materials prices.

Ordinary income declined 4.3%, to ¥28.5 billion.

Net income rose 18.1%, to ¥16.4 billion.

(Billions of yen)

	First nine months of fiscal year 2013 (Note 2)	First nine months of fiscal year 2014	Change (%) (Adjusted)	Change (%) excluding the impact of foreign currency fluctuations (Adjusted)
Net sales	¥575.1	¥614.5	6.9%	2.3%
Operating income	33.4	29.7	-11.2%	-13.7%
Ordinary income	29.8	28.5	-4.3%	—
Net income	13.9	16.4	18.1%	—

Notes:

- The exchange rates used to translate the results of overseas DIC Group companies for the first nine months of fiscal years 2014 and 2013, respectively, are as follows:
First nine months of fiscal year 2014: ¥103.34/US\$1.00 (average for the nine months ended September 30, 2014)
First nine months of fiscal year 2013: ¥95.60/US\$1.00 (average for the nine months ended September 30, 2013)
- Figures for the first nine months of fiscal year 2013 in this table have been adjusted to represent the same accounting period as the first nine months of fiscal year 2014 (January 1 – September 30).

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	First nine months of fiscal year 2013 (Note)	First nine months of fiscal year 2014	Change (%) (Adjusted)	Change (%) excluding the impact of foreign currency fluctuations (Adjusted)	First nine months of fiscal year 2013 (Note)	First nine months of fiscal year 2014	Change (%) (Adjusted)	Change (%) excluding the impact of foreign currency fluctuations (Adjusted)
Printing Inks	¥288.5	¥306.1	6.1%	0.1%	¥12.8	¥11.9	-6.9%	-9.7%
Fine Chemicals	96.1	103.2	7.5%	2.0%	10.3	10.3	0.0%	-2.6%
Polymers	127.9	141.4	10.6%	9.2%	8.2	5.5	-32.0%	-33.0%
Application Materials	89.6	92.0	2.8%	0.5%	5.4	5.4	-0.5%	-3.5%
Others, Corporate and eliminations	(27.0)	(28.2)	—	—	(3.3)	(3.4)	—	—
Total	¥575.1	¥614.5	6.9%	2.3%	¥33.4	¥29.7	-11.2%	-13.7%

Note: Owing to changes in segmentation of some products effective from January 1, 2014, certain figures for the first nine months of fiscal year 2013 that have been adjusted to represent the same accounting period as the first nine months of fiscal year 2014 have also been restated.

Segment results in key markets are as follows. Year-on-year percentage changes in squared parentheses represent increases or decreases excluding the impact of foreign currency fluctuations. 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 above.

Printing Inks

Japan

Net sales	¥60.3 billion	Change	-3.2%
Operating income	¥2.4 billion	Change	-30.4%

Sales of offset inks and news inks fell, with a decline in demand among the contributing factors, while sales of gravure inks were level, owing to steady demand, among others. As a consequence, overall sales in Japan were down.

Higher raw materials prices and other factors combined to push operating income down.

The Americas and Europe

Net sales	¥208.1 billion	Change	10.9%	[2.2%]
Operating income	¥7.1 billion	Change	26.2%	[21.8%]

Although sales of packaging inks were firm, overall sales in Europe declined, as demand for publishing inks remained soft. Overall sales in North America also declined, despite healthy sales of packaging inks, as demand for publishing inks and news inks continued to fall. In Central and South America, brisk sales in all product categories supported an increase in overall sales. For these reasons, sales in the Americas and Europe combined were up.

An improvement in the segment's product mix and ongoing rationalization efforts, among others, brought about a gain in operating income.

Asia and Oceania

Net sales	¥51.7 billion	Change	1.4%	[-1.9%]
Operating income	¥2.4 billion	Change	-37.7%	[-39.4%]

While weak demand and other factors caused sales of offset inks and news inks in the PRC to decline, overall sales in that country advanced, bolstered by robust sales of gravure inks. Despite the impact of falling demand for news inks, among others, sales in Southeast Asia were also up, primarily reflecting healthy sales of gravure inks. Sales in Oceania declined, as floundering demand drove down sales of news inks. Sales in India increased, owing to brisk results in all product categories. For these and other reasons, sales in Asia and Oceania combined slipped in local currency terms, but were up after conversion owing to the depreciation of the yen.

Operating income fell, with causes including high raw materials prices and rising costs.

Fine Chemicals

Net sales	¥103.2 billion	Change	7.5%	[2.0%]
Operating income	¥10.3 billion	Change	0.0%	[-2.6%]

Sales of pigments in Japan were up, with contributing factors including a sharp increase in sales for use in color filters and steady sales for use in inks. Although demand for use in inks fell, sales of pigments in the Americas and Europe advanced, owing to firm sales for use in plastics and cosmetics and rising sales of effect pigments. Sales of TFT LCs declined, despite solid demand, as efforts to expand marketing lagged. These and other factors supported higher segment sales.

Segment operating income was level, owing to the aforementioned sales results.

Polymers

Net sales	¥141.4 billion	Change	10.6%	[9.2%]
Operating income	¥5.5 billion	Change	-32.0%	[-33.0%]

In Japan, sales of epoxy resins and resins for coatings increased, underpinned in part by solid demand from the civil engineering and construction industries. Sales of polystyrene were also up, with contributing factors including firm demand. Overseas, sales advanced, backed by steady demand in the PRC, among others. As a consequence, segment sales rose.

Segment operating income declined. Factors behind this result included a deterioration of the segment's product mix and a delay to revise sales prices upward to reflect high raw materials prices.

Application Materials

Net sales	¥92.0 billion	Change	2.8%	[0.5%]
Operating income	¥5.4 billion	Change	-0.5%	[-3.5%]

Sales of industrial adhesive tapes were down, reflecting decline in demand from certain customers for use in smartphones. In contrast, sales of polyphenylene sulfide (PPS) compounds advanced, sustained by strong demand for automotive applications, as well as for use in electrical and electronics equipment and in the housing and construction industries, as did sales of jet inks, boosted by a higher market share, among others. Sales of high-performance optical materials increased, bolstered by a recovery in demand for use in electrical and electronics equipment. For these and other reasons, segment sales edged up.

Segment operating was even by the aforementioned sales results.

(3) Operating Results Forecasts for Fiscal Year 2014 (the Year Ending December 31, 2014)

We have revised our operating results forecasts for fiscal year 2014 from those published on August 7, 2014, as follows:

(Billions of yen)

	Fiscal year 2013 (Note2)	Fiscal year 2014 (Forecasts)	Change (%) (Adjusted)	Change (%) excluding the impact of foreign currency fluctuations (Adjusted)
Net sales	¥784.0	¥840.0 [¥850.0]	7.1%	2.6%
Operating income	44.1	40.0 [50.0]	-9.3%	-11.6%
Ordinary income	40.9	38.0 [46.0]	-7.1%	—
Net income	28.8	22.0 [24.5]	-23.5%	—

Note:

- Figures in squared parentheses are those published on August 7, 2014.
- For the purpose of comparison, figures for fiscal year 2013 have been adjusted to represent the same accounting period as fiscal year 2014 (January 1 – December 31).

Reason for the Revision of Operating Results Forecasts

Owing to a delayed recovery in domestic demand after the negative rebound that followed the recent consumption tax hike, the impact of rising raw materials prices and the fact that sales of high-value-added products fell short of projections, we have revised our operating results forecasts for fiscal year 2014, as shown in the table above.

Disclaimer Regarding Forward-Looking Statements

Statements herein, other than those of historical fact, are forward-looking statements that reflect management's projections based on information available as of the publication date. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ from such statements. These risks and uncertainties include, but are not limited to, economic conditions in Japan and overseas, market trends, raw materials prices, interest rate trends, currency exchange rates, conflicts, litigations, disasters and accidents, as well as the possibility the Company will incur special losses related to the restructuring of its operations.

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2013	As of September 30, 2014
(Assets)		
Current assets		
Cash and deposits	15,576	24,242
Notes and accounts receivable-trade	212,821	223,199
Merchandise and finished goods	86,402	88,907
Work in process	8,963	10,166
Raw materials and supplies	50,483	57,513
Other	27,343	32,046
Allowance for doubtful accounts	(10,794)	(8,687)
Total current assets	390,794	427,386
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	92,001	92,887
Machinery, equipment and vehicles, net	70,609	69,054
Tools, furniture and fixtures, net	8,355	8,660
Land	55,027	52,463
Construction in progress	7,767	9,160
Total property, plant and equipment	233,759	232,224
Intangible assets		
Goodwill	1,666	1,530
Software	10,356	8,940
Other	3,539	3,271
Total intangible assets	15,561	13,741
Investments and other assets		
Investment securities	41,615	40,922
Net defined benefit asset	15,822	20,855
Other	66,834	62,691
Allowance for doubtful accounts	(2,695)	(624)
Total investments and other assets	121,576	123,844
Total noncurrent assets	370,896	369,809
Total assets	761,690	797,195

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2013	As of September 30, 2014
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	116,023	108,140
Short-term loans payable	79,810	108,581
Commercial papers	—	25,000
Current portion of bonds	5,000	10,000
Income taxes payable	7,613	3,057
Provision for bonuses	3,977	6,498
Provision for loss on disaster	343	136
Other	65,461	66,861
Total current liabilities	278,227	328,273
Noncurrent liabilities		
Bonds payable	28,000	8,000
Long-term loans payable	180,262	157,375
Provision for environmental measures	1,997	1,885
Net defined benefit liability	32,830	31,557
Asset retirement obligations	984	1,027
Other	20,443	22,228
Total noncurrent liabilities	264,516	222,072
Total liabilities	542,743	550,345
(Net assets)		
Shareholders' equity		
Capital stock	91,154	96,557
Capital surplus	88,758	94,161
Retained earnings	89,166	99,970
Treasury shares	(883)	(893)
Total shareholders' equity	268,195	289,795
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,945	2,279
Deferred gains or losses on hedges	(438)	(182)
Foreign currency translation adjustment	(40,037)	(34,431)
Remeasurements of defined benefit plans	(34,447)	(34,365)
Total accumulated other comprehensive income	(72,977)	(66,699)
Minority interests	23,729	23,754
Total net assets	218,947	246,850
Total liabilities and net assets	761,690	797,195

Consolidated Quarterly Statement of Income

(Millions of yen)

	Nine months ended September 30, 2014
Net sales	614,528
Cost of sales	487,906
Gross profit	126,622
Selling, general and administrative expenses	
Employees' salaries and allowances	32,627
Provision of allowance for doubtful accounts	1,627
Provision for bonuses	3,520
Retirement benefit expenses	2,185
Other	56,988
Total selling, general and administrative expenses	96,947
Operating income	29,675
Non-operating income	
Interest income	1,280
Dividends income	320
Equity in earnings of affiliates	2,250
Other	2,394
Total non-operating income	6,244
Non-operating expenses	
Interest expenses	5,156
Foreign exchange losses	111
Other	2,171
Total non-operating expenses	7,438
Ordinary income	28,481
Extraordinary income	
Gain on sales of noncurrent assets	434
Gain on bargain purchase	371
Total extraordinary income	805
Extraordinary loss	
Loss on disposal of noncurrent assets	2,945
Severance costs	1,101
Impairment loss	699
Total extraordinary loss	4,745
Income before income taxes and minority interests	24,541
Income taxes	7,473
Income before minority interests	17,068
Minority interests in income	630
Net income	16,438

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2014
Income before minority interests	17,068
Other comprehensive income	
Valuation difference on available-for-sale securities	278
Deferred gains or losses on hedges	256
Foreign currency translation adjustment	5,070
Remeasurements of defined benefit plans, net of tax	273
Share of other comprehensive income of associates accounted for using equity method	726
Total other comprehensive income	6,603
Comprehensive income	23,671
Comprehensive income attributable to	
Comprehensive income attributable to owners of the parent	22,716
Comprehensive income attributable to minority interests	955