



Consolidated Financial Results for the Six Months Ended June 30, 2015 (Japan GAAP) (Fiscal year ending December 31, 2015)

Company name: DIC Corporation

Listing Code number: 4631

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

Representative: Yoshiyuki Nakanishi, Representative Director, President and CEO

Contact Person: Hiroyuki Ninomiya, Corporate Controller, Accounting Department

Preparation of Supplemental Explanatory Materials: Yes

Holding of Quarterly Financial Results Meeting: Yes (for security analysts and institutional investors, etc.)

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Dividend Payment : September 1, 2015

1. Consolidated Financial Results for the Six Months Ended June 30, 2015 (January 1, 2015 – June 30, 2015)

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)	%
Six months ended June 30, 2015	409,620	0.3	22,570	13.9	21,831	18.8	15,285	48.1
Six months ended June 30, 2014	408,385	—	19,807	—	18,371	—	10,319	—

Note: Comprehensive income (JPY million): Six months ended June 30, 2015 17,399 (407.1%), Six months ended June 30, 2014 3,431 (—%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Six months ended June 30, 2015	15.89	—
Six months ended June 30, 2014	11.23	—

Note: The percentages of changes represent rate of increases or decreases from the results of the corresponding period of the previous fiscal year.

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. Accordingly, the second quarter of fiscal year 2014 was the six months ended June 30, 2014, while the second quarter of fiscal year 2013, with which results are compared herein, was the six months ended September 30, 2013. For this reason, percentage changes are not given. (The second quarter of fiscal year 2013 comprised the accounts for the six months ended September 30, 2013, of DIC and those subsidiaries that previously closed their books on March 31 and for the six months ended June 30, 2013, of those subsidiaries that closed their books on December 31.)

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of June 30, 2015	817,589	288,149	31.9
As of December 31, 2014	803,703	276,723	31.1

Note: Shareholders' equity (JPY million): As of June 30, 2015 260,954, As of December 31, 2014 249,749

2. Cash dividends

	Cash dividends per share				
(Record date)	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual
	JPY	JPY	JPY	JPY	JPY
FY2014	—	3.00	—	3.00	6.00
FY2015	—	4.00	—	—	—
FY2015 (Plan)	—	—	—	4.00	8.00

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

3. Forecast for Consolidated Operating Results for the Fiscal Year Ending December 31, 2015 (January 1, 2015 – December 31, 2015)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share basic
	JPY (million)	%	JPY (million)	%	JPY (million)	%	JPY (million)	%	JPY
FY2015	840,000	1.2	50,000	21.7	46,000	15.2	34,000	35.0	35.35

Note: Revision of the forecast for the consolidated operating results for the fiscal year ending December 31, 2015: Yes

Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the six months ended June 30, 2015 : 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 : | Yes |
| 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 June 30, 2015 | 965,372,048 shares, | As of December 31, 2014 | 965,372,048 shares |
| 2) Number of treasury shares at the end of period | | | |
| As of June 30, 2015 | 3,470,556 shares, | As of December 31, 2014 | 3,445,014 shares |
| 3) Average number of common stocks issued during period, excluding treasury shares | | | |
| For the six months ended June 30, 2015 | 961,915,496 shares, | For the six months ended June 30, 2014 | 919,189,483 shares |

Note: Implementation status of quarterly review procedures

Presented consolidated financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Law.
The quarterly consolidated financial statements review procedures have not 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

(1) Overview of Operating Results

In the six months ended June 30, 2015, the trend toward economic recovery in North America and Europe persisted, although signs of weakness were seen in certain areas. In Asia, the pace of growth in the People's Republic of China (PRC) and Southeast Asia slowed further, although a rally was seen in India. Japan's economy remained on a gentle upswing, despite signs of weakening production levels.

In this environment, consolidated net sales edged up 0.3%, to ¥409.6 billion.

Operating income, at ¥22.6 billion, was up 13.9%, as results benefited from, among others, an improved operating environment and the positive impact of rationalization measures.

Ordinary income increased 18.8%, to ¥21.8 billion.

Net income rose 48.1%, to ¥15.3 billion.

(Billions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Net sales	¥408.4	¥409.6	0.3%	-3.7%
Operating income	19.8	22.6	13.9%	13.6%
Ordinary income	18.4	21.8	18.8%	—
Net income	10.3	15.3	48.1%	—

Note: The exchange rates used to translate the results of overseas DIC Group companies for the six months ended June 30, 2015 and 2014, respectively, are as follows:

Six months ended June 30, 2015: ¥120.23/US\$1.00 (average for the six months ended June 30, 2015)

Six months ended June 30, 2014: ¥102.49/US\$1.00 (average for the six months ended June 30, 2014)

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Six months ended June 30, 2014	Six months ended June 30, 2015	Change (%)	Change (%) excluding the impact of foreign currency fluctuations	Six months ended June 30, 2014	Six months ended June 30, 2015	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Printing Inks	¥202.0	¥202.1	0.0%	-4.4%	¥7.3	¥7.5	3.9%	10.4%
Fine Chemicals	69.0	73.5	6.4%	-0.7%	7.0	7.1	1.8%	0.4%
Polymers	94.2	94.9	0.7%	-2.4%	4.1	6.5	60.9%	51.8%
Application Materials	61.3	59.6	-2.8%	-6.7%	3.7	3.7	-1.0%	-3.8%
Others, Corporate and eliminations	(18.1)	(20.5)	—	—	(2.3)	(2.2)	—	—
Total	¥408.4	¥409.6	0.3%	-3.7%	¥19.8	¥22.6	13.9%	13.6%

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	¥38.2 billion	Change	-5.1%
Operating income	¥1.2 billion	Change	-27.0%

Sales of gravure inks declined, with causes including a temporary inventory adjustment, while a decline in demand was one of several factors that pushed down sales of offset inks and news inks. As a consequence, sales were down in all product categories.

Operating income fell, reflecting the aforementioned sales results, among others.

The Americas and Europe

Net sales	¥135.4 billion	Change	-1.6%	[-5.7%]
Operating income	¥4.0 billion	Change	-5.2%	[12.5%]

Although sales of packaging inks were firm, waning demand for publishing inks and news inks, among other factors, pushed down overall sales in Europe. Decreased demand for publishing inks and news inks also figured in a decline in sales in North America. In Central and South America, the weakening of key regional currencies and other factors led to a decline in overall sales. For these and other reasons, sales in the Americas and Europe combined slipped.

Operating income was up in local currency terms, reflecting the positive impact of rationalization efforts and an improved operating environment, but decreased after translation as a result of currency depreciation in Europe.

Asia and Oceania

Net sales	¥37.4 billion	Change	12.6%	[1.1%]
Operating income	¥2.4 billion	Change	78.4%	[51.8%]

Sales were down in all categories in the PRC, as slowing economic growth depressed demand. Healthy sales of gravure inks and news inks underpinned an increase in sales in Southeast Asia. In Oceania, sales were level, a result of flagging sales of offset inks and news inks, although sales of gravure inks were robust. Sales in India were even, despite brisk sales of gravure inks, as sales of offset inks slumped. Thanks to these and other factors, overall sales in Asia and Oceania were up.

An improved product mix—attributable to higher sales of gravure inks—and rationalization efforts, among others, supported a significant gain in operating income.

Fine Chemicals

Net sales	¥73.5 billion	Change	6.4%	[-0.7%]
Operating income	¥7.1 billion	Change	1.8%	[0.4%]

In Japan, firm sales of pigments for use in color filters and inks countered lackluster sales for use in coatings and plastics. Sales of TFT LCs decreased, despite the start of shipments for new products, as the period coincided with the transitional phase of a product changeover. Sales in the Americas and Europe were up, underpinned by a sharp increase in sales of pigments, which primarily reflected substantially higher sales of effect pigments and pigments for use in cosmetics. As a consequence, segment sales advanced.

Owing to the aforementioned sales results and other factors, segment operating income was on a par with the six months ended June 30, 2014.

Polymers

Net sales	¥94.9 billion	Change	0.7%	[-2.4%]
Operating income	¥6.5 billion	Change	60.9%	[51.8%]

In Japan, sales of epoxy resins rose, supported by firm sales to the electrical and electronics industries. Sales of resins for coatings declined, hampered by dwindling demand from the civil engineering and construction industries, as did sales of polystyrene, hindered by, among others, a reluctance to purchase on the part of customers. Overseas, sales advanced, with contributing factors including brisk sales of unsaturated polyester resin in the PRC and the inclusion of results from newly consolidated subsidiaries. Thanks to these and other factors, segment sales were level.

Segment operating income increased sharply, bolstered by, among others, the sales results described above and cost improvements.

Application Materials

Net sales	¥59.6 billion	Change	-2.8%	[-6.7%]
Operating income	¥3.7 billion	Change	-1.0%	[-3.8%]

Sales of jet inks were up, sustained by a higher global market share. Sales of polyphenylene sulfide (PPS) compounds were even, despite a slight dip in domestic sales, as shipments in overseas markets expanded favorably. Sales of industrial adhesive tapes edged down, reflecting a temporary lull in overseas demand for products used in smartphones. Sales of decorative boards declined in the absence of an improvement in demand from the housing industry. For these and other reasons, segment sales decreased.

Segment operating income was on a par with the six months ended June 30, 2014, owing to the aforementioned sales results.

(3) Operating Results Forecasts for the Fiscal Year Ending December 31, 2015

(Billions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ending December 31, 2015 (Forecasts)	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Net sales	¥830.1	¥840.0 [900.0]	1.2%	-2.2%
Operating income	41.1	50.0 [50.0]	21.7%	20.7%
Ordinary income	39.9	46.0 [46.0]	15.2%	—
Net income	25.2	34.0 [32.0]	35.0%	—

Note: Figures in squared parentheses are those published on May 15, 2015.

Reasons for the Revision of Operating Results Forecasts

Owing to a number of factors, including a deterioration of the demand environment in certain regions and an increase in extraordinary income, we have revised our operating results forecasts for the fiscal year ending December 31, 2015, as indicated 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, 2014	As of June 30, 2015
(Assets)		
Current assets		
Cash and deposits	16,757	25,942
Notes and accounts receivable-trade	213,867	225,987
Merchandise and finished goods	91,614	89,783
Work in process	9,786	10,027
Raw materials and supplies	57,429	58,575
Other	32,930	33,089
Allowance for doubtful accounts	(9,903)	(9,987)
Total current assets	412,480	433,416
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	96,416	96,970
Machinery, equipment and vehicles, net	72,883	72,546
Tools, furniture and fixtures, net	9,363	10,054
Land	53,272	51,753
Construction in progress	10,003	8,776
Total property, plant and equipment	241,937	240,099
Intangible assets		
Goodwill	1,365	1,167
Software	8,610	7,568
Other	3,336	3,642
Total intangible assets	13,311	12,377
Investments and other assets		
Investment securities	39,475	37,139
Net defined benefit asset	26,002	24,621
Other	71,087	70,525
Allowance for doubtful accounts	(589)	(588)
Total investments and other assets	135,975	131,697
Total noncurrent assets	391,223	384,173
Total assets	803,703	817,589

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2014	As of June 30, 2015
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	111,996	106,317
Short-term loans payable	90,730	79,645
Commercial papers	—	14,384
Current portion of bonds	10,000	3,000
Income taxes payable	3,252	3,802
Provision for bonuses	6,659	6,698
Provision for loss on disaster	49	35
Provision for environmental measures	1,817	1,817
Asset retirement obligations	—	6
Other	66,989	64,317
Total current liabilities	291,492	280,021
Noncurrent liabilities		
Bonds payable	8,000	15,000
Long-term loans payable	159,772	170,288
Net defined benefit liability	39,380	38,238
Asset retirement obligations	1,042	1,194
Other	27,294	24,699
Total noncurrent liabilities	235,488	249,419
Total liabilities	526,980	529,440
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,161	94,161
Retained earnings	108,726	118,809
Treasury shares	(896)	(904)
Total shareholders' equity	298,548	308,623
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,914	3,826
Deferred gains or losses on hedges	(178)	11
Foreign currency translation adjustment	(14,817)	(15,555)
Remeasurements of defined benefit plans	(36,718)	(35,951)
Total accumulated other comprehensive income	(48,799)	(47,669)
Minority interests	26,974	27,195
Total net assets	276,723	288,149
Total liabilities and net assets	803,703	817,589

Consolidated Quarterly Statement of Income

(Millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Net sales	408,385	409,620
Cost of sales	324,067	320,280
Gross profit	84,318	89,340
Selling, general and administrative expenses		
Employees' salaries and allowances	21,555	22,627
Provision of allowance for doubtful accounts	1,098	505
Provision for bonuses	2,429	2,388
Retirement benefit expenses	1,492	948
Other	37,937	40,302
Total selling, general and administrative expenses	64,511	66,770
Operating income	19,807	22,570
Non-operating income		
Interest income	912	582
Dividends income	216	199
Foreign exchange gains	—	73
Equity in earnings of affiliates	1,439	1,284
Other	1,798	1,084
Total non-operating income	4,365	3,222
Non-operating expenses		
Interest expenses	3,489	2,897
Foreign exchange losses	755	—
Other	1,557	1,064
Total non-operating expenses	5,801	3,961
Ordinary income	18,371	21,831
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	—	2,359
Compensation income	—	714
Gain on sales of noncurrent assets	251	609
Gain on sales of investment securities	—	524
State subsidy	—	255
Gain on bargain purchase	371	—
Total extraordinary income	622	4,461
Extraordinary loss		
Severance costs	876	2,567
Loss on disposal of noncurrent assets	2,487	1,437
Loss on reduction of noncurrent assets	—	168
Impairment loss	699	—
Total extraordinary loss	4,062	4,172
Income before income taxes and minority interests	14,931	22,120
Income taxes	4,319	5,784
Income before minority interests	10,612	16,336
Minority interests in income	293	1,051
Net income	10,319	15,285

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Income before minority interests	10,612	16,336
Other comprehensive income		
Valuation difference on available-for-sale securities	2	981
Deferred gains or losses on hedges	128	187
Foreign currency translation adjustment	(8,018)	(811)
Remeasurements of defined benefit plans, net of tax	731	767
Share of other comprehensive income of associates accounted for using equity method	(24)	(61)
Total other comprehensive income	(7,181)	1,063
Comprehensive income	3,431	17,399
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,138	16,415
Comprehensive income attributable to minority interests	293	984

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	14,931	22,120
Depreciation and amortization	17,419	16,267
Amortization of goodwill	201	280
Increase (decrease) in allowance for doubtful accounts	(2,022)	(112)
Increase (decrease) in provision for bonuses	2,963	140
Interest and dividends income	(1,128)	(781)
Equity in (earnings) losses of affiliates	(1,439)	(1,284)
Interest expenses	3,489	2,897
Loss (gain) on sales and retirement of noncurrent assets	2,236	828
Impairment loss	699	—
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	(2,359)
Loss (gain) on sales of investment securities	—	(524)
State subsidy	—	(255)
Decrease (increase) in notes and accounts receivable-trade	(9,627)	(14,727)
Decrease (increase) in inventories	(7,287)	(1,016)
Increase (decrease) in notes and accounts payable-trade	(7,092)	(6,006)
Other, net	(7,727)	(6,724)
Subtotal	5,616	8,744
Interest and dividends income received	2,307	1,554
Interest expenses paid	(3,708)	(3,015)
Income taxes paid	(8,130)	(4,600)
Net cash provided by (used in) operating activities	(3,915)	2,683
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,399)	(3,188)
Proceeds from withdrawal of time deposits	347	1,106
Purchase of property, plant and equipment	(14,490)	(15,177)
Proceeds from sales of property, plant and equipment	677	725
Purchase of intangible assets	(772)	(481)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,176)	(732)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	2,100
Purchase of subsidiaries and affiliates securities	—	(47)
Proceeds from sales of subsidiaries and affiliates securities	—	5,496
Purchase of investment securities	(19)	(19)
Proceeds from sales and redemption of investment securities	6	612
Proceeds from subsidy income	—	209
Other, net	681	1,228
Net cash provided by (used in) investing activities	(18,145)	(8,168)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	9,180	(2,827)
Increase (decrease) in commercial papers	24,000	14,382
Proceeds from long-term loans payable	22,495	41,058
Repayment of long-term loans payable	(22,850)	(38,673)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	(5,000)	(10,000)
Proceeds from issuance of common stock	10,806	—
Cash dividends paid	(2,748)	(2,886)
Cash dividends paid to minority shareholders	(824)	(681)
Net decrease (increase) in treasury shares	(6)	(8)
Other, net	(287)	(269)
Net cash provided by (used in) financing activities	34,766	10,096
Effect of exchange rate change on cash and cash equivalents	(341)	2,517
Net increase (decrease) in cash and cash equivalents	12,365	7,128
Cash and cash equivalents at beginning of period	15,004	16,393
Cash and cash equivalents at end of period	27,369	23,521