



Consolidated Financial Results for the Nine Months Ended September 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/>

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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, 2015 (January 1, 2015 – September 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)	%
Nine months ended September 30, 2015	616,426	0.3	36,901	24.4	35,552	24.8	22,994	39.9
Nine months ended September 30, 2014	614,528	—	29,675	—	28,481	—	16,438	—

Note: Comprehensive income (JPY million): Nine months ended September 30, 2015 11,041 (-53.4%), Nine months ended September 30, 2014 23,671 (—%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Nine months ended September 30, 2015	23.90	—
Nine months ended September 30, 2014	17.61	—

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. Because consolidated financial statements were not prepared for the first nine months of fiscal year 2013, the percentage changes are not given.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of September 30, 2015	790,739	277,637	31.7
As of December 31, 2014	803,703	276,723	31.1

Note: Shareholders' equity (JPY million): As of September 30, 2015 250,773, As of December 31, 2014 249,749

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
FY2014	—	3.00	—	3.00	6.00
FY2015	—	4.00	—	—	—
FY2015 (Plan)	—	—	—	4.00	8.00

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

3. Forecasts 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 forecasts for the consolidated operating results for the fiscal year ending December 31, 2015: No

Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the nine months ended September 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 September 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 September 30, 2015 | 3,476,789 shares, | As of December 31, 2014 | 3,445,014 shares |
| 3) Average number of common stocks issued during period, excluding treasury shares | | | |
| For the nine months ended September 30, 2015 | 961,910,202 shares, | For the nine months ended September 30, 2014 | 933,598,202 shares |

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 statements 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

(1) Overview of Operating Results

In the nine months ended September 30, 2015, moderate economic recovery persisted in North America and Europe. In Asia, the pace of growth in the People's Republic of China (PRC) and Southeast Asia decelerated gradually, although a rally was seen in India. Japan's economy remained on a gentle upswing, despite the fact that production levels were flat.

In this environment, consolidated net sales edged up 0.3%, to ¥616.4 billion.

Operating income, at ¥36.9 billion, was up 24.4%, as results benefited from, among others, an improved operating environment and the positive impact of rationalization measures.

Ordinary income increased 24.8%, to ¥35.6 billion.

Net income rose 39.9%, to ¥23.0 billion.

(Billions of yen)

	Nine months ended September 30, 2014	Nine months ended September 30, 2015	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Net sales	¥614.5	¥616.4	0.3%	-3.2%
Operating income	29.7	36.9	24.4%	24.0%
Ordinary income	28.5	35.6	24.8%	—
Net income	16.4	23.0	39.9%	—

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

Nine months ended September 30, 2015: ¥120.67/US\$1.00 (average for the nine months ended September 30, 2015)

Nine months ended September 30, 2014: ¥103.34/US\$1.00 (average for the nine months ended September 30, 2014)

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Nine months ended September 30, 2014	Nine months ended September 30, 2015	Change (%)	Change (%) excluding the impact of foreign currency fluctuations	Nine months ended September 30, 2014	Nine months ended September 30, 2015	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Printing Inks	¥306.1	¥306.2	0.0%	-3.7%	¥11.9	¥13.1	9.8%	17.4%
Fine Chemicals	103.2	110.0	6.6%	-0.3%	10.3	10.5	1.8%	-0.0%
Polymers	141.4	142.0	0.4%	-2.2%	5.5	10.6	91.6%	82.0%
Application Materials	92.0	89.3	-3.0%	-6.0%	5.4	6.2	16.0%	11.6%
Others, Corporate and eliminations	(28.2)	(31.1)	—	—	(3.4)	(3.5)	—	—
Total	¥614.5	¥616.4	0.3%	-3.2%	¥29.7	¥36.9	24.4%	24.0%

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	¥58.1 billion	Change	-3.7%
Operating income	¥2.1 billion	Change	-11.4%

Although a recovery in demand was seen in the third quarter, sales of gravure inks declined, owing to the significant impact of inventory adjustments in the first and second quarters. A decrease in demand was one of several factors that pushed down sales of offset inks and news inks.

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

The Americas and Europe

Net sales	¥205.6 billion	Change	-1.2%	[-4.9%]
Operating income	¥7.1 billion	Change	0.1%	[17.3%]

Although sales of packaging inks were firm, waning demand for publishing inks and news inks, among other factors, pushed down overall sales in Europe. Flagging demand for publishing inks and news inks also figured in a decline in sales in North America. In Central and South America, overall sales decreased, owing largely to the weakening of key regional currencies. 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 was level after translation as a result of currency depreciation in Europe and emerging economies.

Asia and Oceania

Net sales	¥56.1 billion	Change	8.7%	[0.1%]
Operating income	¥4.0 billion	Change	65.8%	[50.8%]

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 declined, 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 expanded sales of gravure inks—and rationalization efforts, among others, supported a significant gain in operating income.

Fine Chemicals

Net sales	¥110.0 billion	Change	6.6%	[-0.3%]
Operating income	¥10.5 billion	Change	1.8%	[-0.0%]

In pigments, sales in Japan increased slightly, notwithstanding sluggish sales for use in inks, as sales for use color filters were robust and sales for use in coatings and plastics rallied. Pigment 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. 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. As a consequence, segment sales advanced.

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

Polymers

Net sales	¥142.0 billion	Change	0.4%	[-2.2%]
Operating income	¥10.6 billion	Change	91.6%	[82.0%]

Sales in Japan declined, despite firm results for epoxy resins, which finished on a par with the nine months ended September 30, 2014, as a result of dwindling demand for resins for coatings and polystyrene. Overseas, sales rose, with contributing factors including brisk shipments of principal products 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, robust sales overseas and cost improvements.

Application Materials

Net sales	¥89.3 billion	Change	-3.0%	[-6.0%]
Operating income	¥6.2 billion	Change	16.0%	[11.6%]

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 declined, reflecting a temporary lull in demand for products used in smartphones. Sales in other product categories fell, as demand failed to improve. For these and other reasons, segment sales decreased.

Segment operating income advanced, owing to rising sales of high-value-added products and the positive impact of yen depreciation.

(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	1.2%	-2.2%
Operating income	41.1	50.0	21.7%	20.7%
Ordinary income	39.9	46.0	15.2%	—
Net income	25.2	34.0	35.0%	—

Note: Forecasts are unchanged from those published on August 6, 2015.

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 September 30, 2015
(Assets)		
Current assets		
Cash and deposits	16,757	22,421
Notes and accounts receivable-trade	213,867	217,624
Merchandise and finished goods	91,614	89,378
Work in process	9,786	9,516
Raw materials and supplies	57,429	56,529
Other	32,930	30,394
Allowance for doubtful accounts	(9,903)	(10,366)
Total current assets	412,480	415,496
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	96,416	94,633
Machinery, equipment and vehicles, net	72,883	70,247
Tools, furniture and fixtures, net	9,363	9,416
Land	53,272	51,261
Construction in progress	10,003	9,551
Total property, plant and equipment	241,937	235,108
Intangible assets		
Goodwill	1,365	1,030
Software	8,610	7,173
Other	3,336	3,945
Total intangible assets	13,311	12,148
Investments and other assets		
Investment securities	39,475	35,115
Net defined benefit asset	26,002	25,593
Other	71,087	67,700
Allowance for doubtful accounts	(589)	(421)
Total investments and other assets	135,975	127,987
Total noncurrent assets	391,223	375,243
Total assets	803,703	790,739

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2014	As of September 30, 2015
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	111,996	101,798
Short-term loans payable	90,730	85,969
Commercial papers	—	8,000
Current portion of bonds	10,000	3,000
Income taxes payable	3,252	5,790
Provision for bonuses	6,659	5,911
Provision for loss on disaster	49	4
Provision for environmental measures	1,817	1,817
Other	66,989	70,372
Total current liabilities	291,492	282,661
Noncurrent liabilities		
Bonds payable	8,000	25,000
Long-term loans payable	159,772	145,021
Net defined benefit liability	39,380	35,201
Asset retirement obligations	1,042	1,191
Other	27,294	24,028
Total noncurrent liabilities	235,488	230,441
Total liabilities	526,980	513,102
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,161	94,161
Retained earnings	108,726	122,671
Treasury shares	(896)	(906)
Total shareholders' equity	298,548	312,483
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,914	2,898
Deferred gains or losses on hedges	(178)	49
Foreign currency translation adjustment	(14,817)	(31,103)
Remeasurements of defined benefit plans	(36,718)	(33,554)
Total accumulated other comprehensive income	(48,799)	(61,710)
Minority interests	26,974	26,864
Total net assets	276,723	277,637
Total liabilities and net assets	803,703	790,739

Consolidated Quarterly Statement of Income

(Millions of yen)

	Nine months ended September 30, 2014	Nine months ended September 30, 2015
Net sales	614,528	616,426
Cost of sales	487,906	478,795
Gross profit	126,622	137,631
Selling, general and administrative expenses		
Employees' salaries and allowances	32,627	33,766
Provision of allowance for doubtful accounts	1,627	1,197
Provision for bonuses	3,520	3,381
Retirement benefit expenses	2,185	1,399
Other	56,988	60,987
Total selling, general and administrative expenses	96,947	100,730
Operating income	29,675	36,901
Non-operating income		
Interest income	1,280	888
Dividends income	320	309
Equity in earnings of affiliates	2,250	2,077
Other	2,394	1,608
Total non-operating income	6,244	4,882
Non-operating expenses		
Interest expenses	5,156	4,211
Foreign exchange losses	111	260
Other	2,171	1,760
Total non-operating expenses	7,438	6,231
Ordinary income	28,481	35,552
Extraordinary income		
Gain on sales of subsidiaries and affiliates securities	—	2,723
Gain on sales of noncurrent assets	434	817
Compensation income	—	708
Gain on sales of investment securities	—	554
State subsidy	—	255
Gain on bargain purchase	371	—
Total extraordinary income	805	5,057
Extraordinary loss		
Severance costs	1,101	3,008
Loss on disposal of noncurrent assets	2,945	1,889
Loss on reduction of noncurrent assets	—	168
Impairment loss	699	—
Total extraordinary loss	4,745	5,065
Income before income taxes and minority interests	24,541	35,544
Income taxes	7,473	10,956
Income before minority interests	17,068	24,588
Minority interests in income	630	1,594
Net income	16,438	22,994

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2014	Nine months ended September 30, 2015
Income before minority interests	17,068	24,588
Other comprehensive income		
Valuation difference on available-for-sale securities	278	11
Deferred gains or losses on hedges	256	224
Foreign currency translation adjustment	5,070	(15,578)
Remeasurements of defined benefit plans, net of tax	273	3,197
Share of other comprehensive income of associates accounted for using equity method	726	(1,401)
Total other comprehensive income	6,603	(13,547)
Comprehensive income	23,671	11,041
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	22,716	10,083
Comprehensive income attributable to minority interests	955	958