



Consolidated Financial Results for the Three Months Ended March 31, 2016 (Japan GAAP) (Fiscal year ending December 31, 2016)

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 Three Months Ended March 31, 2016 (January 1, 2016 – March 31, 2016)

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 attributable to owners of the parent	
	JPY (million)	%	JPY (million)	%	JPY (million)	%	JPY (million)	%
Three months ended March 31, 2016	188,228	-6.2	12,343	17.4	12,083	15.0	6,866	-19.1
Three months ended March 31, 2015	200,587	-0.5	10,515	11.9	10,507	24.9	8,488	65.1

Note: Comprehensive income (JPY million): Three months ended March 31, 2016 -7,169 (—%), Three months ended March 31, 2015 4,765 (—%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Three months ended March 31, 2016	7.24	—
Three months ended March 31, 2015	8.82	—

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

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of March 31, 2016	759,279	278,126	33.1
As of December 31, 2015	778,857	289,857	33.7

Note: Shareholders' equity (JPY million): As of March 31, 2016 251,147, As of December 31, 2015 262,467

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
FY2015	—	4.00	—	4.00	8.00
FY2016	—	—	—	—	—
FY2016 (Plan)	—	4.00	—	40.00	—

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

The Company shall consolidate its common stocks by a factor of 10 to 1 with July 1, 2016, as the effective date. Accordingly, the forecast for year-end cash dividend per share for the fiscal year 2016 reflects the impact of this consolidation, while the forecast for annual cash dividend per share for the fiscal year 2016 has been omitted. Had the consolidation of shares not been taken into consideration, the forecast for year-end and annual cash dividends per share for the fiscal year 2016 would be 4 yen and 8 yen, respectively. For further details, please refer to "Explanation of the appropriate use of performance forecasts, and other special items."

3. Forecasts for Consolidated Operating Results for the Fiscal Year Ending December 31, 2016 (January 1, 2016 – December 31, 2016)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share basic
	JPY (million)	%	JPY (million)	%	JPY (million)	%	JPY (million)	%	JPY
FY2016 First half	380,000	-7.2	25,000	10.8	23,000	5.4	11,000	-28.0	11.60
FY2016	800,000	-2.4	54,000	5.7	50,000	2.1	25,000	-33.1	263.69

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2016: Yes

The forecast for earnings per share basic for the fiscal year 2016 reflects the impact of consolidation of shares. For further details, please refer to "Explanation of the appropriate use of performance forecasts, and other special items."

Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the three months ended March 31, 2016: 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 March 31, 2016 951,569,048 shares, As of December 31, 2015 965,372,048 shares
 - 2) Number of treasury shares at the end of period
As of March 31, 2016 3,496,965 shares, As of December 31, 2015 17,294,751 shares
 - 3) Average number of common stocks issued during period, excluding treasury shares
For the three months ended March 31, 2016 948,074,705 shares, For the three months ended March 31, 2015 961,923,726 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**

Caution concerning forward-looking statements

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.

Cash dividends and operating results forecasts following consolidation of shares

At the 118th Annual General Meeting of Shareholders held on March 29, 2016, a proposal for the consolidation of shares was approved. Accordingly, the Company shall consolidate its common stocks by a factor of 10 to 1 with July 1, 2016, as the effective date. Had the consolidation of shares not been taken into consideration, the forecasts for cash dividends and consolidated operating results for the fiscal year ending December 31, 2016, are as follows:

1. Cash dividends per share forecasts for the fiscal year 2016
End of 2nd quarter: 4 yen (Note1)
Year-end: 4 yen
2. Consolidated operating results forecasts for the fiscal year 2016
(Earnings per share basic)
End of 2nd quarter: 11.60 yen
Year-end: 26.37 yen
(Notes)
 1. The cash dividend for the end of 2nd quarter will be paid in accordance with the number of common stocks before the consolidation of shares.
 2. The annual cash dividend for the fiscal year 2016 (without reflecting the impact of the consolidation of shares) is 8 yen.

Analysis of Results of Operations

(1) Overview of Operating Results

In the three months ended March 31, 2016, moderate economic recovery persisted in North America and Europe. In Asia, the pace of growth in the People's Republic of China (PRC) decelerated gradually, although a revival was seen in Southeast Asia. Conditions in India remained on a gentle upswing. Japan's economy showed signs of weakening, despite the fact that production and exports remained level.

In this environment, consolidated net sales declined 6.2%, to ¥188.2 billion.

Operating income advanced 17.4%, to ¥12.3 billion, as results benefited from cost reductions and an improved product mix, among others.

Ordinary income increased 15.0%, to ¥12.1 billion.

Net income attributable to owners of the parent fell 19.1%, to ¥6.9 billion.

(Billions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Net sales	200.6	188.2	-6.2%	-1.1%
Operating income	10.5	12.3	17.4%	24.2%
Ordinary income	10.5	12.1	15.0%	—
Net income attributable to owners of the parent	8.5	6.9	-19.1%	—

Note: The exchange rates used to translate the results of overseas DIC Group companies for the three months ended March 31, 2016 and 2015, respectively, are as follows:

Three months ended March 31, 2016: ¥116.55/US\$1.00 (average for the three months ended March 31, 2016)

Three months ended March 31, 2015: ¥119.21/US\$1.00 (average for the three months ended March 31, 2015)

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Three months ended March 31, 2015	Three months ended March 31, 2016	Change (%)	Change (%) excluding the impact of foreign currency fluctuations	Three months ended March 31, 2015	Three months ended March 31, 2016	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Printing Inks	100.0	94.3	-5.8%	1.4%	2.9	4.3	51.3%	57.4%
Fine Chemicals	35.3	32.4	-8.3%	-5.5%	3.7	3.0	-20.0%	-17.9%
Polymers	47.4	44.3	-6.7%	-4.2%	3.1	4.5	45.9%	52.3%
Compounds	15.3	15.3	0.0%	3.5%	1.2	1.3	7.6%	10.0%
Application Materials	13.6	12.5	-8.1%	-7.1%	0.7	0.3	-60.3%	-60.4%
Others, Corporate and eliminations	(11.0)	(10.6)	—	—	(1.1)	(1.1)	—	—
Total	200.6	188.2	-6.2%	-1.1%	10.5	12.3	17.4%	24.2%

Note: Effective from January 1, 2016, DIC has revised its segmentation to coincide with the launch of its new medium-term management plan, DIC108. Accordingly, certain figures for the three months ended March 31, 2015, have 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	¥19.8 billion	Change	1.9%
Operating income	¥1.0 billion	Change	2.2 times

Sales of packaging inks expanded favorably. As a consequence, sales in Japan rose.

Operating income soared, underpinned by the aforementioned sales results, as well as by the positive impact of cost reductions and an improved product mix, among others.

The Americas and Europe

Net sales	¥61.4 billion	Change	-7.5%	[1.3%]
Operating income	¥2.1 billion	Change	51.9%	[56.5%]

Despite satisfactory results for packaging inks, sales in Europe and North America were level, as demand for publishing inks and news inks waned. Sales in Central and South America advanced, buoyed by brisk shipments of packaging inks and publishing inks. For these and other reasons, overall sales in the Americas and Europe edged up in local currency terms, but declined after translation, owing to the appreciation of the yen.

Rationalization efforts and an improved product mix were two of several factors that spurred a sharp increase in operating income.

Asia and Oceania

Net sales	¥15.4 billion	Change	-11.3%	[-2.7%]
Operating income	¥1.1 billion	Change	12.4%	[24.7%]

Sales in the PRC decreased, despite steady shipments of packaging inks, owing to flagging demand for publishing inks and news inks. Robust sales of publishing inks and packaging inks underpinned an increase in sales in Southeast Asia. In Oceania, sales declined as robust results for publishing inks were insufficient to counter flagging demand for news inks. Sales in India were down, with contributing factors including falling sales of publishing inks. For these and other reasons, overall sales in Asia and Oceania slipped.

Cost reductions and an improved product mix, among others, supported a gain in operating income.

Fine Chemicals

Net sales	¥32.4 billion	Change	-8.3%	[-5.5%]
Operating income	¥3.0 billion	Change	-20.0%	[-17.9%]

In pigments, sales in Japan were level, owing to firm shipments, led by pigments for color filters. Pigment sales in the Americas and Europe decreased, despite healthy shipments of functional pigments, as demand for other products flagged. Sales of TFT LCs fell, hampered by a slow start for new products, coupled with the impact of production adjustments, among others. As a consequence, segment sales were down.

Segment operating income declined, reflecting the aforementioned sales results and other factors.

Polymers

Net sales	¥44.3 billion	Change	-6.7%	[-4.2%]
Operating income	¥4.5 billion	Change	45.9%	[52.3%]

Despite firm demand overall, sales in Japan declined as a consequence of sales price reductions for polystyrene and other products. Sales overseas were also down, hindered by factors such as falling demand from customers in the electrical and electronics industries. For these and other reasons, segment sales decreased.

Cost reductions, among others, sparked a substantial increase in segment operating income.

Compounds

Net sales	¥15.3 billion	Change	0.0%	[3.5%]
Operating income	¥1.3 billion	Change	7.6%	[10.0%]

Sales of polyphenylene sulfide (PPS) compounds rose, bolstered by higher shipments overseas, as well as by a favorable recovery in demand in Japan. Sales of jet inks were also up, reflecting steadily expanding shipments in both Japan and overseas. While these results supported an increase in local currency terms, segment sales were level after translation, owing to the appreciation of the yen.

An improved product mix was among multiple factors contributing to higher segment operating income.

Application Materials

Net sales	¥12.5 billion	Change	-8.1%	[-7.1%]
Operating income	¥0.3 billion	Change	-60.3%	[-60.4%]

Robust shipments sustained an increase in sales of hollow-fiber membrane modules and health foods. Nonetheless, segment sales declined, as sluggish demand for products used in smartphones hampered sales of industrial adhesive tapes.

Segment operating income fell, with contributing factors including the aforementioned sales results.

(3) Operating Results Forecasts for the Fiscal Year Ending December 31, 2016

(Billions of yen)

	First half of FY2015	First half of FY2016 (Forecasts)	Change (%)	FY2015	FY2016 (Forecasts)	Change (%)
Net sales	409.6	380.0 [420.0]	-7.2%	820.0	800.0 [870.0]	-2.4%
Operating income	22.6	25.0	10.8%	51.1	54.0	5.7%
Ordinary income	21.8	23.0	5.4%	49.0	50.0	2.1%
Net income attributable to owners of the parent	15.3	11.0	-28.0%	37.4	25.0	-33.1%

Note: Forecasts in squared parentheses are those published on February 12, 2016.

Reasons for Revision of Operating Results Forecasts

Owing to the negative impact of currency exchange rate fluctuations and product price declines, DIC has revised its net sales forecasts as shown in the table above. However, with benefits expected from cost reductions and an improved product mix, the Company has not revised its operating income forecasts.

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, 2015	As of March 31, 2016
(Assets)		
Current assets		
Cash and deposits	15,363	32,250
Notes and accounts receivable-trade	221,006	200,261
Merchandise and finished goods	87,947	85,966
Work in process	9,369	9,648
Raw materials and supplies	52,245	51,659
Other	33,382	35,375
Allowance for doubtful accounts	(10,654)	(10,481)
Total current assets	408,658	404,678
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	95,879	92,116
Machinery, equipment and vehicles, net	70,226	66,712
Tools, furniture and fixtures, net	9,605	9,240
Land	50,775	50,282
Construction in progress	6,660	6,109
Total property, plant and equipment	233,145	224,459
Intangible assets		
Goodwill	906	775
Software	6,470	6,044
Other	3,880	3,528
Total intangible assets	11,256	10,347
Investments and other assets		
Investment securities	37,075	33,909
Net defined benefit asset	24,885	25,873
Other	64,235	61,013
Allowance for doubtful accounts	(397)	(1,000)
Total investments and other assets	125,798	119,795
Total non-current assets	370,199	354,601
Total assets	778,857	759,279

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2015	As of March 31, 2016
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	95,569	94,927
Short-term loans payable	82,262	79,194
Commercial papers	4,000	4,000
Current portion of bonds	8,000	8,000
Income taxes payable	8,347	3,871
Provision for bonuses	6,914	6,035
Other	66,188	65,372
Total current liabilities	271,280	261,399
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	139,900	148,297
Net defined benefit liability	32,833	30,230
Asset retirement obligations	1,213	1,179
Other	23,774	20,048
Total non-current liabilities	217,720	219,754
Total liabilities	489,000	481,153
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,161	94,094
Retained earnings	137,071	135,433
Treasury shares	(5,911)	(1,195)
Total shareholders' equity	321,878	324,889
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,688	1,976
Deferred gains or losses on hedges	(73)	34
Foreign currency translation adjustment	(29,925)	(46,073)
Remeasurements of defined benefit plans	(33,101)	(29,679)
Total accumulated other comprehensive income	(59,411)	(73,742)
Non-controlling interests	27,390	26,979
Total net assets	289,857	278,126
Total liabilities and net assets	778,857	759,279

Consolidated Quarterly Statement of Income

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Net sales	200,587	188,228
Cost of sales	156,421	143,553
Gross profit	44,166	44,675
Selling, general and administrative expenses		
Employees' salaries and allowances	11,341	10,893
Provision of allowance for doubtful accounts	599	369
Provision for bonuses	1,175	1,137
Retirement benefit expenses	459	459
Other	20,077	19,474
Total selling, general and administrative expenses	33,651	32,332
Operating income	10,515	12,343
Non-operating income		
Interest income	266	145
Dividends income	141	187
Foreign exchange gains	578	—
Equity in earnings of affiliates	594	732
Other	698	610
Total non-operating income	2,277	1,674
Non-operating expenses		
Interest expenses	1,512	950
Foreign exchange losses	—	400
Other	773	584
Total non-operating expenses	2,285	1,934
Ordinary income	10,507	12,083
Extraordinary income		
Gain on bargain purchase	—	78
Gain on sales of subsidiaries and affiliates securities	2,359	—
Compensation income	706	—
Gain on sales of non-current assets	557	—
State subsidy	255	—
Total extraordinary income	3,877	78
Extraordinary loss		
Loss on disposal of non-current assets	509	2,162
Provision of allowance for doubtful accounts	—	632
Severance costs	1,853	435
Loss on reduction of non-current assets	168	—
Total extraordinary loss	2,530	3,229
Income before income taxes and non-controlling interests	11,854	8,932
Income taxes	2,749	1,382
Net income	9,105	7,550
Net income attributable to non-controlling interests	617	684
Net income attributable to owners of the parent	8,488	6,866

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Net income	9,105	7,550
Other comprehensive income		
Valuation difference on available-for-sale securities	3	(1,745)
Deferred gains or losses on hedges	85	107
Foreign currency translation adjustment	(6,394)	(15,853)
Remeasurements of defined benefit plans, net of tax	2,181	3,451
Share of other comprehensive income of associates accounted for using equity method	(215)	(679)
Total other comprehensive income	(4,340)	(14,719)
Comprehensive income	4,765	(7,169)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,334	(7,465)
Comprehensive income attributable to non-controlling interests	431	296