



Consolidated Financial Results for the Three Months Ended March 31, 2017 (Japan GAAP) (The fiscal year ending December 31, 2017)

May 15, 2017
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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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(Yen amounts are rounded to the nearest million, except for per share information)

1. Consolidated Financial Results for the Three Months Ended March 31, 2017 (January 1, 2017 – March 31, 2017)

(1) Consolidated operating results

(The percentages indicate the changes from the same period in the previous year)

	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, 2017	189,010	0.4	13,130	6.4	13,250	9.7	8,839	28.7
Three months ended March 31, 2016	188,228	-6.2	12,343	17.4	12,083	15.0	6,866	-19.1

Note: Comprehensive income (JPY million): Three months ended March 31, 2017 2,836 (—%),
Three months ended March 31, 2016 -7,169 (—%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Three months ended March 31, 2017	93.24	—
Three months ended March 31, 2016	72.42	—

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

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of March 31, 2017	822,716	303,514	33.4
As of December 31, 2016	764,828	307,017	36.4

Note: Shareholders' equity (JPY million): As of March 31, 2017 275,023 As of December 31, 2016 278,535

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
FY2016	—	4.00	—	60.00	—
FY2017	—	—	—	—	—
FY2017 (Plan)	—	60.00	—	60.00	120.00

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

The year-end cash dividend per share for fiscal year 2016 reflects the impact of the consolidation of shares, while the annual cash dividend per share for fiscal year 2016 has been omitted. If the consolidation of shares had been taken into consideration, the annual cash dividends per share for fiscal year 2016 would be 100 yen.

3. Forecasts for Consolidated Operating Results for the Fiscal Year Ending December 31, 2017 (January 1, 2017 – December 31, 2017)

(The percentages indicate the changes from the same period in the previous year)

	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
First half of FY2017	390,000	3.3	28,000	7.4	28,000	4.9	18,500	9.0	195.15
FY2017	790,000	5.1	58,000	7.0	58,000	3.9	37,500	7.9	395.57

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2017: Yes

For details, please refer to "Analysis of Results of Operations (3) Operating Results Forecasts for Fiscal Year 2017."

Notes

(1) Changes in the scope of consolidation for significant subsidiaries during the three months ended March 31, 2017: 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 shares issued (common stock)

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

As of March 31, 2017 95,156,904 shares, As of December 31, 2016 95,156,904 shares

2) Number of treasury shares at the end of the period

As of March 31, 2017 357,585 shares, As of December 31, 2016 356,552 shares

3) Average number of shares issued during the period, excluding treasury shares

For the three months ended March 31, 2017 94,799,829 shares, For the three months ended March 31, 2016 94,807,470 shares

Each of the number of shares listed above is calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended December 31, 2016.

Note: **Presented quarterly consolidated financial results are not subject to quarterly review procedures.**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.

Analysis of Results of Operations

(1) Overview of Operating Results

While economic conditions worldwide recovered gradually in the three months ended March 31, 2017, economic uncertainty, fluctuations in the financial and capital markets and the direction of oil prices, among others, continued to warrant caution. Moderate recovery persisted in the economies of North America and Europe. A revival was seen in Asia. Japan's economy also continued to rally steadily, despite delayed improvements in certain areas.

In this environment, consolidated net sales rose 0.4%, to ¥189.0 billion, despite the negative impact of foreign currency fluctuations, and flagging product prices in the previous fiscal year, as shipments remained firm.

Operating income advanced 6.4%, to ¥13.1 billion, as elevated sales of high-value-added products and cost reductions offset the harmful impact of higher raw materials prices.

Ordinary income rose 9.7%, to ¥13.3 billion, with contributing factors including an improved financial position.

Net income attributable to owners of the parent climbed 28.7%, to ¥8.8 billion.

(Billions of yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Net sales	188.2	189.0	0.4%	3.2%
Operating income	12.3	13.1	6.4%	11.6%
Ordinary income	12.1	13.3	9.7%	—
Net income attributable to owners of the parent	6.9	8.8	28.7%	—

Note: The exchange rates used to translate the results of overseas DIC Group companies for the three months ended March 31, 2017 and 2016, respectively, are as follows:

Three months ended March 31, 2017: ¥113.64/US\$1.00 (average for the three months ended March 31, 2017)

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

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Three months ended March 31, 2016	Three months ended March 31, 2017	Change (%)	Change (%) excluding the impact of foreign currency fluctuations	Three months ended March 31, 2016	Three months ended March 31, 2017	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Printing Inks	94.3	89.9	-4.6%	-0.9%	4.3	4.0	-7.1%	-3.7%
Fine Chemicals	32.4	34.3	5.8%	8.3%	3.0	4.2	40.6%	53.3%
Polymers	44.3	46.9	6.0%	7.0%	4.5	4.5	-0.2%	1.9%
Compounds	15.3	15.0	-2.0%	1.4%	1.3	0.8	-39.4%	-34.3%
Application Materials	12.5	12.8	1.8%	2.7%	0.3	0.8	2.6 times	2.7 times
Others, Corporate and eliminations	(10.6)	(9.9)	—	—	(1.1)	(1.2)	—	—
Total	188.2	189.0	0.4%	3.2%	12.3	13.1	6.4%	11.6%

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	¥18.9 billion	Change	-4.5%
Operating income	¥1.1 billion	Change	1.9%

Sales of packaging inks benefited from firm shipments. Nonetheless, overall sales in Japan decreased, reflecting factors such as the erosion of sales prices in the previous fiscal year and diminished demand for publishing inks and news inks.

Operating income edged up. Reasons for this result included cost reductions and an improved product mix.

The Americas and Europe

Net sales	¥57.9 billion	Change	-5.7%	[-0.6%]
Operating income	¥2.0 billion	Change	-7.6%	[-1.9%]

Although shipments of packaging inks advanced, sales in North America and Europe were flat, with causes including waning demand for news inks. Sales in Central and South America rose, buoyed by robust shipments of packaging inks. As a result, overall sales in the Americas and Europe were essentially level in local currency terms, but declined after translation, hampered by factors such as foreign currency fluctuations.

Despite the ongoing implementation of rationalization measures, operating income decreased, reflecting sales results and increases in raw materials prices, among others.

Asia and Oceania

Net sales	¥15.2 billion	Change	-1.4%	[2.0%]
Operating income	¥1.0 billion	Change	-12.2%	[-10.5%]

While shipments of packaging inks were solid, sales in the PRC were pushed down by such factors as flagging demand for publishing inks and news inks and other factors. In Southeast Asia, sales were up in all product categories. Sales in Oceania fell, with causes including fading demand for news inks. Sales in India increased, bolstered by brisk shipments of publishing inks and packaging inks. For these and other reasons, overall sales in Asia and Oceania were up in local currency terms, but down after translation, owing to foreign currency fluctuations.

Operating income declined, a consequence of rising prices for raw materials and other factors.

Fine Chemicals

Net sales	¥34.3 billion	Change	5.8%	[8.3%]
Operating income	¥4.2 billion	Change	40.6%	[53.3%]

In pigments, sales were lifted by a steep increase in shipments of functional pigments, including those for color filters and cosmetics. Sales of TFT LCs rose substantially, reflecting favorable shipments and the fact that the corresponding period of the previous fiscal year was a transitional period between new product releases. These factors supported higher segment sales.

Segment operating income was up substantially, underpinned by an improved product mix, among others.

Polymers

Net sales	¥46.9 billion	Change	6.0%	[7.0%]
Operating income	¥4.5 billion	Change	-0.2%	[1.9%]

Sales in Japan rose, bolstered by increased shipments of high-value-added products, polystyrene and other products. Sales overseas were up sharply, thanks to generally firm shipments. For these and other reasons, segment sales advanced.

Notwithstanding the aforementioned sales results, segment operating income remained on a par. Factors behind this result included soaring raw materials prices.

Compounds

Net sales	¥15.0 billion	Change	-2.0%	[1.4%]
Operating income	¥0.8 billion	Change	-39.4%	[-34.3%]

Despite healthy shipments, sales of polyphenylene sulfide (PPS) compounds were flat, owing to weaker sales prices in the previous fiscal year and foreign currency fluctuations. Sales of jet inks decreased, reflecting the negative impact of foreign currency fluctuations. Owing to these and other factors, sales were largely level in local currency terms, but slipped after translation as a consequence of foreign currency fluctuations, among others.

Segment operating income fell, with causes including sales results and costs associated with advanced investments.

Application Materials

Net sales	¥12.8 billion	Change	1.8%	[2.7%]
Operating income	¥0.8 billion	Change	2.6 times	[2.7 times]

Sales rose, thanks to increased shipments of hollow-fiber membrane modules and health foods, as well as to other factors.

Segment operating income soared, spurred by an improved product mix and efforts to reduce costs, among others.

(3) Operating Results Forecasts for Fiscal Year 2017

The Company has revised its operating results forecasts for fiscal year 2017, published on February 14, 2017, as shown in the table below.

(Billions of yen)

	First half of FY2016	First half of FY2017 (Forecasts)	Change (%)	FY2016	FY2017 (Forecasts)	Change (%)
Net sales	377.7	390.0 [385.0]	3.3%	751.4	790.0 [770.0]	5.1%
Operating income	26.1	28.0 [28.0]	7.4%	54.2	58.0 [58.0]	7.0%
Ordinary income	26.7	28.0 [28.0]	4.9%	55.8	58.0 [58.0]	3.9%
Net income attributable to owners of the parent	17.0	18.5 [18.5]	9.0%	34.8	37.5 [37.5]	7.9%

Note: Forecasts in squared parentheses are those published on February 14, 2017.

Reasons for Revision of Operating Results Forecasts

The Company's decision to revise its operating results forecasts for fiscal year 2017 was prompted by the direction of currency exchange rate fluctuations and other factors.

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, 2016	As of March 31, 2017
(Assets)		
Current assets		
Cash and deposits	17,241	59,875
Notes and accounts receivable-trade	215,369	204,714
Merchandise and finished goods	82,611	82,344
Work in process	9,461	9,879
Raw materials and supplies	53,605	54,925
Other	31,289	33,748
Allowance for doubtful accounts	(10,839)	(10,548)
Total current assets	398,737	434,937
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	92,092	91,510
Machinery, equipment and vehicles, net	66,342	64,262
Tools, furniture and fixtures, net	10,142	10,689
Land	50,169	49,752
Construction in progress	7,915	9,395
Total property, plant and equipment	226,660	225,608
Intangible assets		
Goodwill	501	416
Software	4,878	4,540
Other	3,563	3,781
Total intangible assets	8,942	8,737
Investments and other assets		
Investment securities	41,007	67,988
Net defined benefit asset	28,074	28,243
Other	62,895	58,645
Allowance for doubtful accounts	(1,487)	(1,442)
Total investments and other assets	130,489	153,434
Total non-current assets	366,091	387,779
Total assets	764,828	822,716

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2016	As of March 31, 2017
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	94,392	105,339
Short-term loans payable	96,391	77,702
Commercial papers	—	56,000
Income taxes payable	4,153	4,612
Provision for bonuses	7,050	6,334
Other	63,353	55,144
Total current liabilities	265,339	305,131
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	109,918	134,726
Net defined benefit liability	28,072	26,236
Asset retirement obligations	1,334	1,309
Other	23,148	21,800
Total non-current liabilities	192,472	214,071
Total liabilities	457,811	519,202
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,094	94,094
Retained earnings	159,541	162,692
Treasury shares	(1,213)	(1,217)
Total shareholders' equity	348,979	352,126
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,248	5,622
Deferred gains or losses on hedges	(187)	20
Foreign currency translation adjustment	(48,626)	(57,089)
Remeasurements of defined benefit plans	(26,879)	(25,656)
Total accumulated other comprehensive income	(70,444)	(77,103)
Non-controlling interests	28,482	28,491
Total net assets	307,017	303,514
Total liabilities and net assets	764,828	822,716

Consolidated Quarterly Statement of Income

(Millions of yen)

	Three months ended March, 2016	Three months ended March, 2017
Net sales	188,228	189,010
Cost of sales	143,553	144,672
Gross profit	44,675	44,338
Selling, general and administrative expenses		
Employees' salaries and allowances	10,893	10,525
Provision of allowance for doubtful accounts	369	15
Provision for bonuses	1,137	1,260
Retirement benefit expenses	459	233
Other	19,474	19,175
Total selling, general and administrative expenses	32,332	31,208
Operating income	12,343	13,130
Non-operating income		
Interest income	145	306
Dividends income	187	174
Equity in earnings of affiliates	732	829
Other	610	514
Total non-operating income	1,674	1,823
Non-operating expenses		
Interest expenses	950	762
Foreign exchange losses	400	150
Other	584	791
Total non-operating expenses	1,934	1,703
Ordinary income	12,083	13,250
Extraordinary income		
Gain on bargain purchase	78	—
Total extraordinary income	78	—
Extraordinary loss		
Loss on disposal of non-current assets	2,162	562
Severance costs	435	243
Provision of allowance for doubtful accounts	632	—
Total extraordinary loss	3,229	805
Income before income taxes and non-controlling interests	8,932	12,445
Income taxes	1,382	2,930
Net income	7,550	9,515
Net income attributable to non-controlling interests	684	676
Net income attributable to owners of the parent	6,866	8,839

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Three months ended March, 2016	Three months ended March, 2017
Net income	7,550	9,515
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,745)	404
Deferred gains or losses on hedges	107	206
Foreign currency translation adjustment	(15,853)	(8,905)
Remeasurements of defined benefit plans, net of tax	3,451	1,226
Share of other comprehensive income of associates accounted for using equity method	(679)	390
Total other comprehensive income	(14,719)	(6,679)
Comprehensive income	(7,169)	2,836
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(7,465)	2,180
Comprehensive income attributable to non-controlling interests	296	656