



Consolidated Financial Results for the Six Months Ended June 30, 2017 (Japan GAAP) (The fiscal year ending December 31, 2017)

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: Yes (for security analysts and institutional investors, etc.)

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2017 (January 1, 2017 – June 30, 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)	%
Six months ended June 30, 2017	382,740	1.3	26,038	-0.1	26,069	-2.3	17,440	2.8
Six months ended June 30, 2016	377,695	-7.8	26,072	15.5	26,690	22.3	16,969	11.0

Note: Comprehensive income (JPY million): Six months ended June 30, 2017 16,406 (—%)
Six months ended June 30, 2016 -17,786 (—%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Six months ended June 30, 2017	184.01	—
Six months ended June 30, 2016	178.98	—

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 June 30, 2017	824,172	315,931	34.9
As of December 31, 2016	764,828	307,017	36.4

Note: Shareholders' equity (JPY million): As of June 30, 2017 287,295 As of December 31, 2016 278,535

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
FY2016	—	4.00	—	60.00	—
FY2017	—	60.00	—	—	—
FY2017 (Plan)	—	—	—	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
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: No

Notes

(1) Changes in the scope of consolidation for significant subsidiaries during the six months ended June 30, 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 June 30, 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 June 30, 2017 510,194 shares, As of December 31, 2016 356,552 shares

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

For the six months ended June 30, 2017 94,777,659 shares, For the six months ended June 30, 2016 94,807,075 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.

* From the second quarter in the fiscal year ending December 31, 2017, the Company introduced the Board Benefit Trust (BBT.) The shares held by the trust are included in the number of treasury shares.

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 six months ended June 30, 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.

In this environment, consolidated net sales advanced 1.3%, to ¥382.7 billion, reflecting multiple factors, including firm shipments.

Despite continued sales increases for high-value-added products and the progress of cost reductions, operating income remained essentially level, at ¥26.0 billion, a consequence of rising raw materials prices and currency weakness in Europe and emerging economies, among others.

Ordinary income declined 2.3%, to ¥26.1 billion, with contributing factors including higher foreign exchange losses and other non-operating expenses.

Net income attributable to owners of the parent increased 2.8%, to ¥17.4 billion, owing to a decline in extraordinary loss and other factors.

(Billions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Net sales	377.7	382.7	1.3%	2.4%
Operating income	26.1	26.0	-0.1%	3.0%
Ordinary income	26.7	26.1	-2.3%	—
Net income attributable to owners of the parent	17.0	17.4	2.8%	—

Note: The exchange rates used to translate the results of overseas DIC Group companies for the six months ended June 30, 2017 and 2016, respectively, are as follows:

Six months ended June 30, 2017: ¥112.66/US\$1.00 (average for the six months ended June 30, 2017)

Six months ended June 30, 2016: ¥112.49/US\$1.00 (average for the six months ended June 30, 2016)

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Six months ended June 30, 2016	Six months ended June 30, 2017	Change (%)	Change (%) excluding the impact of foreign currency fluctuations	Six months ended June 30, 2016	Six months ended June 30, 2017	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Printing Inks	185.6	181.5	-2.2%	-0.6%	8.3	7.8	-6.1%	-6.2%
Fine Chemicals	65.8	67.5	2.6%	2.8%	7.0	8.5	21.2%	31.5%
Polymers	89.7	95.2	6.1%	6.4%	9.4	9.0	-4.4%	-3.7%
Compounds	30.8	31.1	1.1%	2.6%	2.8	2.1	-27.0%	-22.2%
Application Materials	26.7	26.7	-0.0%	0.3%	0.9	1.1	24.7%	27.0%
Others, Corporate and eliminations	(20.9)	(19.3)	—	—	(2.3)	(2.5)	—	—
Total	377.7	382.7	1.3%	2.4%	26.1	26.0	-0.1%	3.0%

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	¥37.9 billion	Change	-3.7%
Operating income	¥2.0 billion	Change	-8.5%

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

Operating income was down, owing to the aforementioned sales results and other factors.

The Americas and Europe

Net sales	¥117.1 billion	Change	-2.4%	[0.1%]
Operating income	¥4.0 billion	Change	7.4%	[6.3%]

Although shipments of packaging inks advanced, sales in North America were flat, with causes including waning demand for publishing inks and news inks. In Europe, sales remained level, notwithstanding higher shipments of publishing inks and packaging inks, owing to falling demand for news inks, among others. 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 basically flat in local currency terms, but declined after translation, hampered by foreign currency fluctuations, among others.

Operating income increased, bolstered by efforts to reduce costs, including rationalization measures, among others.

Asia and Oceania

Net sales	¥31.0 billion	Change	0.1%	[0.3%]
Operating income	¥1.8 billion	Change	-22.7%	[-23.5%]

While shipments of packaging inks were solid, sales in the People's Republic of China (PRC) were pushed down by factors such as flagging demand for publishing inks and news inks. In Southeast Asia, sales were pushed up by higher shipments of publishing inks and packaging inks. 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 remained essentially level.

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

Fine Chemicals

Net sales	¥67.5 billion	Change	2.6%	[2.8%]
Operating income	¥8.5 billion	Change	21.2%	[31.5%]

Sales of pigments edged down, despite a steep increase in shipments of functional pigments, including those for color filters and cosmetics, owing to flagging demand for other pigments. Sales of TFT LCs rose substantially, reflecting favorable shipments. These factors supported higher segment sales.

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

Polymers

Net sales	¥95.2 billion	Change	6.1%	[6.4%]
Operating income	¥9.0 billion	Change	-4.4%	[-3.7%]

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 declined. Factors behind this result included soaring raw materials prices.

Compounds

Net sales	¥31.1 billion	Change	1.1%	[2.6%]
Operating income	¥2.1 billion	Change	-27.0%	[-22.2%]

Sales of polyphenylene sulfide (PPS) compounds increased, bolstered by healthy shipments. Steadily expanding shipments bolstered sales of jet inks. Owing to these and other factors, segment sales rose.

Segment operating income fell, despite the aforementioned sales results. Reasons behind this result included increases in raw materials prices and costs associated with advance investments.

Application Materials

Net sales	¥26.7 billion	Change	-0.0%	[0.3%]
Operating income	¥1.1 billion	Change	24.7%	[27.0%]

Sales were level, despite increased shipments of hollow-fiber membrane modules, as a consequence of foreign currency fluctuations and other factors.

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

(3) Operating Results Forecasts for Fiscal Year 2017

(Billions of yen)

	FY2016	FY2017 (Forecasts)	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Net sales	751.4	790.0	5.1%	4.1%
Operating income	54.2	58.0	7.0%	7.3%
Ordinary income	55.8	58.0	3.9%	—
Net income attributable to owners of the parent	34.8	37.5	7.9%	—

Note: Forecasts are unchanged from those published on May 15, 2017.

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 June 30, 2017
(Assets)		
Current assets		
Cash and deposits	17,241	47,292
Notes and accounts receivable-trade	215,369	211,657
Merchandise and finished goods	82,611	86,212
Work in process	9,461	9,889
Raw materials and supplies	53,605	57,012
Other	31,289	32,354
Allowance for doubtful accounts	(10,839)	(10,602)
Total current assets	398,737	433,814
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	92,092	92,418
Machinery, equipment and vehicles, net	66,342	68,664
Tools, furniture and fixtures, net	10,142	10,685
Land	50,169	50,059
Construction in progress	7,915	5,383
Total property, plant and equipment	226,660	227,209
Intangible assets		
Goodwill	501	342
Software	4,878	4,382
Other	3,563	3,813
Total intangible assets	8,942	8,537
Investments and other assets		
Investment securities	41,007	69,625
Net defined benefit asset	28,074	28,407
Other	62,895	58,066
Allowance for doubtful accounts	(1,487)	(1,486)
Total investments and other assets	130,489	154,612
Total non-current assets	366,091	390,358
Total assets	764,828	824,172

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2016	As of June 30, 2017
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	94,392	111,728
Short-term loans payable	96,391	64,625
Commercial papers	—	56,000
Income taxes payable	4,153	5,062
Provision for bonuses	7,050	7,090
Other	63,353	45,953
Total current liabilities	265,339	290,458
Non-current liabilities		
Bonds payable	30,000	40,000
Long-term loans payable	109,918	128,126
Net defined benefit liability	28,072	25,802
Asset retirement obligations	1,334	1,313
Other	23,148	22,542
Total non-current liabilities	192,472	217,783
Total liabilities	457,811	508,241
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,094	94,100
Retained earnings	159,541	171,293
Treasury shares	(1,213)	(1,820)
Total shareholders' equity	348,979	360,130
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,248	6,569
Deferred gains or losses on hedges	(187)	(16)
Foreign currency translation adjustment	(48,626)	(53,217)
Remeasurements of defined benefit plans	(26,879)	(26,171)
Total accumulated other comprehensive income	(70,444)	(72,835)
Non-controlling interests	28,482	28,636
Total net assets	307,017	315,931
Total liabilities and net assets	764,828	824,172

Consolidated Quarterly Statement of Income

(Millions of yen)

	Six months ended June, 2016	Six months ended June, 2017
Net sales	377,695	382,740
Cost of sales	287,270	293,592
Gross profit	90,425	89,148
Selling, general and administrative expenses		
Employees' salaries and allowances	21,116	20,951
Provision of allowance for doubtful accounts	1,567	123
Provision for bonuses	2,404	2,567
Retirement benefit expenses	904	423
Other	38,362	39,046
Total selling, general and administrative expenses	64,353	63,110
Operating income	26,072	26,038
Non-operating income		
Interest income	242	738
Dividends income	244	288
Equity in earnings of affiliates	1,747	1,986
Other	1,189	984
Total non-operating income	3,422	3,996
Non-operating expenses		
Interest expenses	1,737	1,616
Foreign exchange losses	0	868
Other	1,067	1,481
Total non-operating expenses	2,804	3,965
Ordinary income	26,690	26,069
Extraordinary income		
Gain on change in equity	—	251
Gain on bargain purchase	78	—
Total extraordinary income	78	251
Extraordinary loss		
Loss on disposal of non-current assets	2,853	1,328
Severance costs	649	350
Provision of allowance for doubtful accounts	598	—
Total extraordinary loss	4,100	1,678
Income before income taxes and non-controlling interests	22,668	24,642
Income taxes	4,377	5,946
Net income	18,291	18,696
Net income attributable to non-controlling interests	1,322	1,256
Net income attributable to owners of the parent	16,969	17,440

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended June, 2016	Six months ended June, 2017
Net income	18,291	18,696
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,407)	1,341
Deferred gains or losses on hedges	144	170
Foreign currency translation adjustment	(40,870)	(4,657)
Remeasurements of defined benefit plans, net of tax	8,178	718
Share of other comprehensive income of associates accounted for using equity method	(2,122)	138
Total other comprehensive income	(36,077)	(2,290)
Comprehensive income	(17,786)	16,406
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(18,030)	15,049
Comprehensive income attributable to non-controlling interests	244	1,357

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	22,668	24,642
Depreciation and amortization	16,930	15,501
Amortization of goodwill	203	162
Increase (decrease) in allowance for doubtful accounts	2,069	134
Increase (decrease) in provision for bonuses	(197)	38
Interest and dividends income	(486)	(1,026)
Equity in (earnings) losses of affiliates	(1,747)	(1,986)
Interest expenses	1,737	1,616
Loss (gain) on sales and retirement of non-current assets	2,853	1,328
Decrease (increase) in notes and accounts receivable-trade	7,557	3,834
Decrease (increase) in inventories	(1,750)	(8,119)
Increase (decrease) in notes and accounts payable-trade	94	6,060
Other, net	(9,234)	(8,537)
Subtotal	40,697	33,647
Interest and dividends income received	1,350	2,134
Interest expenses paid	(1,860)	(1,708)
Income taxes paid	(9,785)	(5,667)
Net cash provided by (used in) operating activities	30,402	28,406
Net cash provided by (used in) investing activities		
Payments into time deposits	(5,878)	(8,048)
Proceeds from withdrawal of time deposits	977	3,558
Purchase of property, plant and equipment	(13,450)	(15,936)
Proceeds from sales of property, plant and equipment	53	552
Purchase of intangible assets	(500)	(740)
Purchase of subsidiaries and affiliates securities	—	(25,592)
Purchase of investment securities	(29)	(19)
Proceeds from sales and redemption of investment securities	—	456
Payments for transfer of business	—	(339)
Other, net	(179)	(36)
Net cash provided by (used in) investing activities	(19,006)	(46,144)

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	14,528	(24,264)
Increase (decrease) in commercial papers	13,000	56,000
Proceeds from long-term loans payable	24,197	30,250
Repayment of long-term loans payable	(28,612)	(16,942)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	(3,000)	—
Cash dividends paid	(3,792)	(5,688)
Cash dividends paid to non-controlling interests	(666)	(866)
Net decrease (increase) in treasury shares	(3)	(607)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(308)
Other, net	(808)	(382)
Net cash provided by (used in) financing activities	14,844	47,193
Effect of exchange rate change on cash and cash equivalents	(3,838)	(3,937)
Net increase (decrease) in cash and cash equivalents	22,402	25,518
Cash and cash equivalents at beginning of the period	15,113	16,671
Cash and cash equivalents at end of the period	37,515	42,189