



Consolidated Financial Results for the Three Months Ended March 31, 2019 (Japan GAAP) (The fiscal year ending December 31, 2019)

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, 2019 (January 1, 2019 – March 31, 2019)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	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, 2019	190,708	-2.8	8,086	-26.7	8,134	-26.3	5,302	-28.4
Three months ended March 31, 2018	196,197	3.8	11,024	-16.0	11,032	-16.7	7,410	-16.2

Note: Comprehensive income (JPY million): Three months ended March 31, 2019 6,985 (—%)

Three months ended March 31, 2018 -4,820 (—%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Three months ended March 31, 2019	56.02	—
Three months ended March 31, 2018	78.29	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of March 31, 2019	864,181	328,251	34.5
As of December 31, 2018	801,296	327,334	37.3

Reference: Shareholders' equity (JPY million): As of March 31, 2019 298,307 As of December 31, 2018 298,896

Note: The Company has been applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018), etc. from the beginning of the first three months ended March 31, 2019. The figures as of December 31, 2018 are based on retroactive application.

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
FY2018	—	60.00	—	65.00	125.00
FY2019	—	—	—	—	—
FY2019 (Plan)	—	60.00	—	65.00	125.00

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

3. Forecasts for Consolidated Operating Results for the Fiscal Year Ending December 31, 2019 (January 1, 2019 – December 31, 2019)

(Percentages indicate year-on-year changes)

	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 FY2019	410,000	2.8	24,000	-1.3	24,000	-1.9	16,000	7.3	169.05
FY2019	850,000	5.5	52,000	7.5	52,000	6.8	35,000	9.3	369.80

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2019: No

Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the three months ended March 31, 2019: 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): Yes
 - 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, 2019	95,156,904 shares,	As of December 31, 2018	95,156,904 shares
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 - 2) Number of treasury shares at the end of the period

As of March 31, 2019	509,909 shares,	As of December 31, 2018	511,035 shares
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 - 3) Average number of shares issued during the period, excluding treasury shares

For the three months ended March 31, 2019	94,646,813 shares,	For the three months ended March 31, 2018	94,646,384 shares
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* From the fiscal year ended 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: **Quarterly consolidated financial results are not subject to quarterly review procedures conducted by certified public accountants or audit firms.**

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

(Billions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019	Change (%)	Change (%) [Local currency basis]
Net sales	196.2	190.7	-2.8%	-0.4%
Operating income	11.0	8.1	-26.7%	-24.9%
Ordinary income	11.0	8.1	-26.3%	—
Net income attributable to owners of the parent	7.4	5.3	-28.4%	—
EBITDA	18.2	15.3	-15.8%	—
¥/US\$1.00 (Average rate)	108.65	110.17	1.4%	—
¥/EUR1.00 (Average rate)	133.61	125.09	-6.4%	—

EBITDA = Net income attributable to owners of the parent + Total income taxes + Interest expenses – Interest income + Depreciation and amortization

In the three months ended March 31, 2019, consolidated net sales slipped 2.8%, to ¥190.7 billion. Owing to the impact of slowing economic growth, a trend originating in the People's Republic of China (PRC), shipments fell in a wide range of businesses, centering on materials used in electrical and electronics equipment and in automobiles.

Operating income fell 26.7%, to ¥8.1 billion. As was expected at the beginning of the period, the negative impact of raw materials prices persisted. This, combined with flagging shipments of high-value-added products, caused the operating income decline to sharpen.

Ordinary income decreased 26.3%, to ¥8.1 billion.

Net income attributable to owners of the parent was down 28.4%, to ¥5.3 billion.

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Three months ended March 31, 2018	Three months ended March 31, 2019	Change (%)	Change (%) [Local currency basis]	Three months ended March 31, 2018	Three months ended March 31, 2019	Change (%)	Change (%) [Local currency basis]
Packaging & Graphic	105.3	103.3	-1.9%	1.4%	3.7	3.2	-11.8%	-10.5%
Color & Display	32.6	31.0	-5.1%	-3.6%	3.7	2.9	-22.3%	-19.7%
Functional Products	67.2	65.0	-3.3%	-2.2%	5.2	3.6	-31.1%	-30.4%
Others, Corporate and eliminations	(8.9)	(8.6)	—	—	(1.6)	(1.6)	—	—
Total	196.2	190.7	-2.8%	-0.4%	11.0	8.1	-26.7%	-24.9%

Note: Effective from January 1, 2019, DIC revised its segmentation to coincide with the launch of its medium-term management plan, DIC111. Accordingly, figures for the three months ended March 31, 2018, have been restated.

For information on DIC111, please visit <http://www.dic-global.com/en/ir/plan.html>.

Packaging & Graphic

	Three months ended March 31, 2018	Three months ended March 31, 2019	Change (%)	Change (%) [Local currency basis]
Net sales	¥105.3 billion	¥103.3 billion	-1.9%	1.4%
Operating income	¥3.7 billion	¥3.2 billion	-11.8%	-10.5%

Segment sales edged down 1.9%, to ¥103.3 billion. Although sales were up 1.4% on a local currency basis, the depreciation of the euro and emerging economy currencies led to a decrease after translation into yen. In the area of materials for food packaging, sales of packaging inks increased, particularly in emerging economies. In contrast, sales of polystyrene languished, despite an increase in shipments, as declining raw materials prices prompted the reduction of sales prices. Sales of publication inks, which center on publishing inks and news inks, were down, notwithstanding higher shipments in Asia, owing to an ebb in overall demand. Sales of jet inks for digital printing rose sharply.

Segment operating income decreased 11.8%, to ¥3.2 billion, despite the revision of sales prices. This result was attributable to the impact of rising raw materials prices, particularly on publication inks.

Color & Display

	Three months ended March 31, 2018	Three months ended March 31, 2019	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥32.6 billion	¥31.0 billion	-5.1%	-3.6%
Operating income	¥3.7 billion	¥2.9 billion	-22.3%	-19.7%

Segment sales decreased 5.1%, to ¥31.0 billion. In the area of color materials, shipments of pigments for cosmetics rose, while shipments of general-purpose pigments for publishing inks and other applications flagged. In display materials, shipments of pigments for color filters were firm. Sales of thin-film transistor liquid crystals (TFT LCs) sank, hindered by sagging sales prices.

Segment operating income declined 22.3%, to ¥2.9 billion. Contributing factors included sales price reductions for TFT LCs and waning shipments of general-purpose pigments. Operating income was also constrained by the tightening of environmental regulations in the PRC.

Functional Products

	Three months ended March 31, 2018	Three months ended March 31, 2019	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥67.2 billion	¥65.0 billion	-3.3%	-2.2%
Operating income	¥5.2 billion	¥3.6 billion	-31.1%	-30.4%

Segment sales slipped 3.3%, to ¥65.0 billion. Sales of polyphenylene sulfide (PPS) compounds, used primarily as an alternative to metal in automotive components, advanced, bolstered by favorable shipments in Europe. Flagging economic conditions pushed down sales of epoxy resins and industrial-use tapes, the principal applications for which are smartphones and semiconductors. Sales of waterborne and other environment-friendly resins were also down, owing to sluggish shipments, principally in the PRC.

Segment operating income fell 31.1%, to ¥3.6 billion. Efforts to revise sales prices that began in fiscal year 2018 yielded results, but were insufficient to offset dwindling shipments of epoxy resins and other high-value-added products and rising distribution and utilities costs, resulting in a substantial decline.

(3) Operating Results Forecasts for the First Half of Fiscal Year 2019 and Fiscal Year 2019

(Billions of yen)

	First half of FY2018	First half of FY2019	Change (%)	FY2018	FY2019	Change (%)
Net sales	398.8	410.0	2.8%	805.5	850.0	5.5%
Operating income	24.3	24.0	-1.3%	48.4	52.0	7.5%
Ordinary income	24.5	24.0	-1.9%	48.7	52.0	6.8%
Net income attributable to owners of the parent	14.9	16.0	7.3%	32.0	35.0	9.3%

Note: Forecasts are unchanged from those published on February 14, 2019.

Recognizing a need to ascertain trends in the external environment and its performance beyond the second quarter, when demand for its products rises, DIC has not revised its operating results forecasts for the first half of fiscal year 2019 and fiscal year 2019, although downside risks exist. Against this backdrop, the DIC Group will continue promoting qualitative reforms in existing businesses and working to create new businesses, in line with its DIC111 medium-term management plan. At the same time, the Group will strive to bolster consolidated net sales and operating income by revising sales prices and expanding sales of high-value-added products.

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, 2018	As of March 31, 2019
(Assets)		
Current assets		
Cash and deposits	19,782	62,404
Notes and accounts receivable-trade	209,763	219,877
Merchandise and finished goods	94,611	97,098
Work in process	9,403	10,097
Raw materials and supplies	61,937	62,945
Other	23,878	25,855
Allowance for doubtful accounts	(9,722)	(9,727)
Total current assets	409,652	468,549
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	88,892	89,233
Machinery, equipment and vehicles, net	70,951	70,454
Tools, furniture and fixtures, net	11,395	11,597
Land	48,985	52,627
Construction in progress	7,928	9,413
Total property, plant and equipment	228,151	233,324
Intangible assets		
Goodwill	34	31
Software	2,887	2,857
Customer-related assets	3,359	3,222
Other	7,502	6,145
Total intangible assets	13,782	12,255
Investments and other assets		
Investment securities	67,523	65,941
Net defined benefit asset	25,089	26,720
Other	57,260	57,557
Allowance for doubtful accounts	(161)	(165)
Total investments and other assets	149,711	150,053
Total non-current assets	391,644	395,632
Total assets	801,296	864,181

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2018	As of March 31, 2019
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	118,554	115,204
Short-term loans payable	79,778	66,747
Commercial papers	—	62,000
Income taxes payable	2,843	2,398
Provision for bonuses	6,283	5,568
Other	48,143	51,003
Total current liabilities	255,601	302,920
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term loans payable	119,791	133,442
Net defined benefit liability	20,519	19,863
Asset retirement obligations	1,482	1,469
Other	16,569	18,236
Total non-current liabilities	218,361	233,010
Total liabilities	473,962	535,930
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,445	94,445
Retained earnings	207,421	205,787
Treasury shares	(1,823)	(1,818)
Total shareholders' equity	396,600	394,971
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,407	1,398
Deferred gains or losses on hedges	14	15
Foreign currency translation adjustment	(67,617)	(66,599)
Remeasurements of defined benefit plans	(31,508)	(31,478)
Total accumulated other comprehensive income	(97,704)	(96,664)
Non-controlling interests	28,438	29,944
Total net assets	327,334	328,251
Total liabilities and net assets	801,296	864,181

Consolidated Quarterly Statement of Income

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Net sales	196,197	190,708
Cost of sales	152,992	151,116
Gross profit	43,205	39,592
Selling, general and administrative expenses		
Employees' salaries and allowances	11,048	10,723
Provision of allowance for doubtful accounts	(34)	205
Provision for bonuses	1,146	1,102
Retirement benefit expenses	26	236
Other	19,995	19,240
Total selling, general and administrative expenses	32,181	31,506
Operating income	11,024	8,086
Non-operating income		
Interest income	717	549
Dividends income	180	175
Equity in earnings of affiliates	877	337
Other	586	619
Total non-operating income	2,360	1,680
Non-operating expenses		
Interest expenses	1,005	954
Foreign exchange losses	177	89
Other	1,170	589
Total non-operating expenses	2,352	1,632
Ordinary income	11,032	8,134
Extraordinary loss		
Loss on disposal of non-current assets	513	508
Severance costs	232	23
Total extraordinary loss	745	531
Income before income taxes and non-controlling interests	10,287	7,603
Income taxes	2,364	1,761
Net income	7,923	5,842
Net income attributable to non-controlling interests	513	540
Net income attributable to owners of the parent	7,410	5,302

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Net income	7,923	5,842
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,306)	(16)
Deferred gains or losses on hedges	3	1
Foreign currency translation adjustment	(11,611)	1,300
Remeasurements of defined benefit plans, net of tax	1,329	44
Share of other comprehensive income of associates accounted for using equity method	(1,158)	(186)
Total other comprehensive income	(12,743)	1,143
Comprehensive income	(4,820)	6,985
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(5,031)	6,342
Comprehensive income attributable to non-controlling interests	211	643