

4631.T : Tokyo Stock Exchange



DIC Corporation

Consolidated Financial Results FY2019: Three Months Ended March 31

May 2019

Color & Comfort



Highlights

FY2019 three months results

- Net sales slipped. Owing to the impact of slowing economic growth, a trend originating in China, shipments fell in a wide range of businesses, centering on materials used in electrical and electronics equipment and in automobiles.
- Operating income fell substantially. 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.

FY2019 operating results forecasts

- Operating results forecasts have not been revised, although downside risks exist. DIC will continue to monitor trends in its operating results in 2Q (April to June), when demand for its products rises, as well as in its operating environment.
- The DIC Group will continue promoting qualitative reforms in existing businesses and working to create new businesses. 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.

The fiscal year of all overseas and domestic companies in the DIC Group ends on December 31. This document presents consolidated results for the first three months of fiscal year 2019, ended March 31, 2019.

Summary of financial results

Net sales

Net sales slipped. Owing to the impact of slowing economic growth, a trend originating in China, shipments fell in a wide range of businesses, centering on materials used in electrical and electronics equipment and in automobiles.

Operating income

Operating income fell substantially. 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.

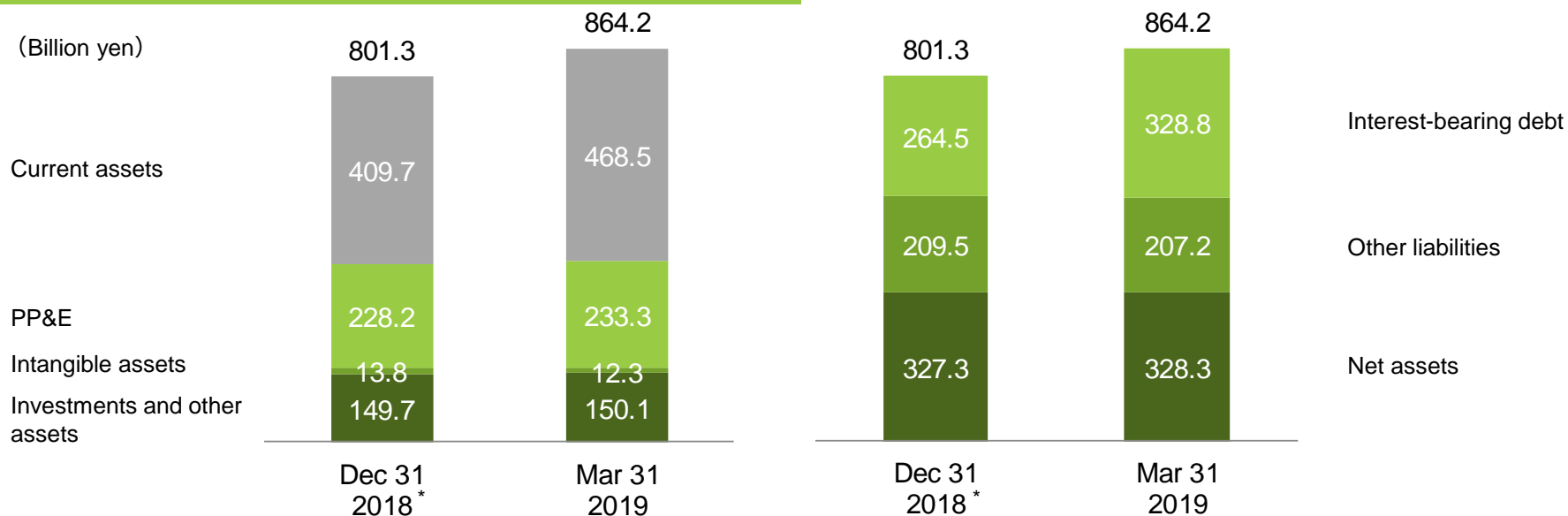
(Billion yen)	2018 3 Months	2019 3 Months	% Change	% Change on a local currency basis
Net sales	196.2	190.7	-2.8%	-0.4%
Operating income	11.0	8.1	-26.7%	-24.9%
Operating margin	5.6%	4.2%	—	—
Ordinary income	11.0	8.1	-26.3%	—
Net income*	7.4	5.3	-28.4%	—
EPS (Yen)	78.29	56.02	—	—
EBITDA**	18.2	15.3	-15.8%	—
Average rate	YEN/USD	108.65	110.17	+1.4%
	YEN/EUR	133.61	125.09	-6.4%

* Net income attributable to owners of the parent

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

Financial health

Balance sheet



Financial health

(Billion yen)	Dec 31 2018	Mar 31 2019	Change
Interest-bearing debt	264.5	328.8	64.3
Net interest-bearing debt	244.7	266.4	21.7
D/C ratio **	44.7%	50.0%	
Equity ratio *	37.3%	34.5%	
BPS (Yen)	3,158.05	3,151.79	
Closing rate (YEN/USD)	110.39	110.75	

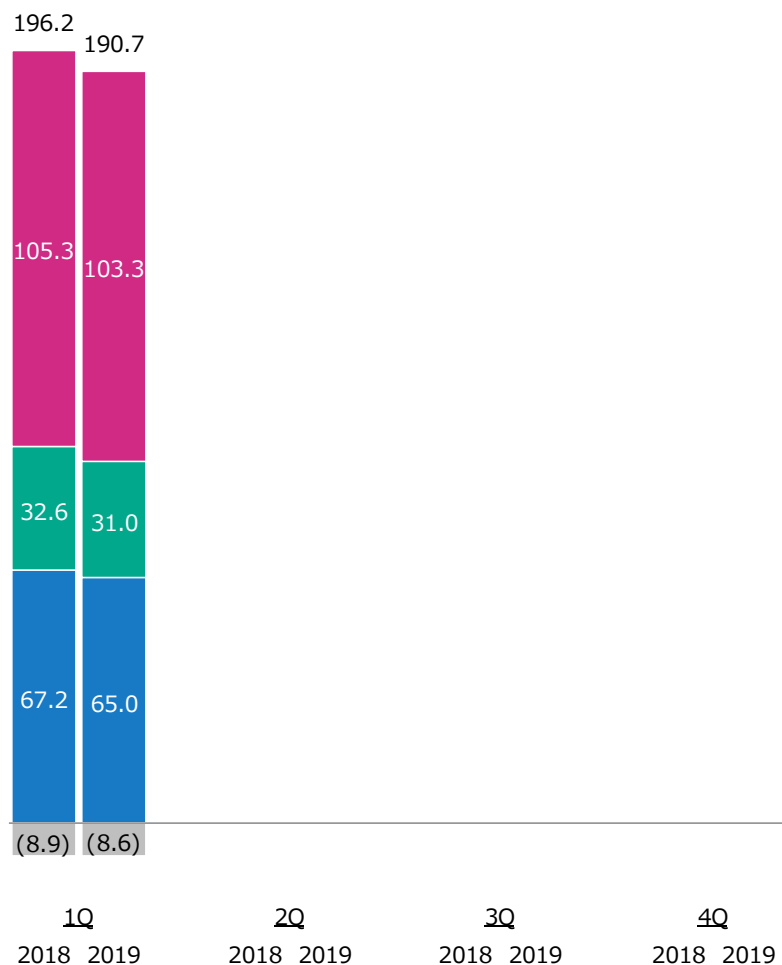
* Owing to a partial revision of the accounting standard for tax effect accounting effective from fiscal year 2019, year-end figures for fiscal year 2018 have been restated.

** D/C ratio: Interest-bearing debt / (Interest-bearing debt + Net assets)

Quarterly trends in segment results (Reference)

Net sales

(Billion yen)

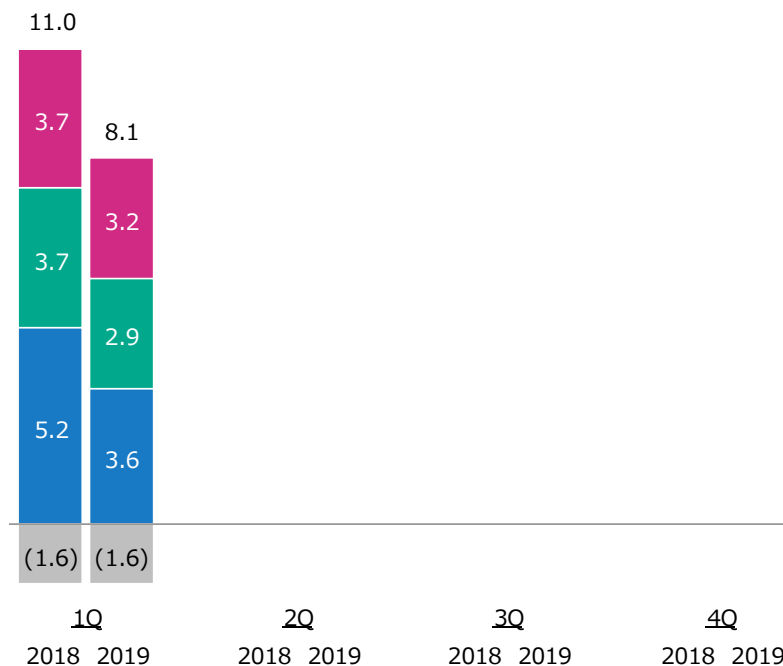


Operating income

Progress rate as per the full-year operating income forecasts

	3M	6M	9M	FY
2019 (%)	15.6			
2018 (%)	21.6	47.7	71.4	94.9

(Billion yen)



Packaging & Graphic

Color & Display

Functional Products

Others, Corporate and eliminations

Note: Effective from fiscal year 2019, DIC revised its segmentation in line with organizational amendments set forth in its medium-term management plan, DIC 111.

Segment results

(Billion yen)	Net sales					Operating income					Operating margin	
	2018 3 Months	2019 3 Months	Change	% Change	% Change on a local currency basis	2018 3 Months	2019 3 Months	Change	% Change	% Change on a local currency basis	2018 3 Months	2019 3 Months
Packaging & Graphic	105.3	103.3	-2.0	-1.9%	+ 1.4%	3.7	3.2	-0.5	-11.8%	-10.5%	3.5%	3.1%
Japan	28.7	27.9	-0.8	-2.7%	-2.7%	1.3	1.2	-0.1	-8.8%	-8.8%	4.6%	4.3%
The Americas and Europe	62.7	61.4	-1.3	-2.0%	+ 2.6%	1.8	1.3	-0.5	-27.5%	-24.7%	2.8%	2.1%
Asia and Oceania	17.2	16.8	-0.4	-1.9%	+ 2.7%	0.6	0.7	0.1	+ 19.5%	+ 22.7%	3.4%	4.2%
Eliminations	(3.3)	(2.9)	0.4	-	-	(0.0)	0.0	0.0	-	-	-	-
Color & Display	32.6	31.0	-1.6	-5.1%	-3.6%	3.7	2.9	-0.8	-22.3%	-19.7%	11.4%	9.3%
Japan	8.4	7.7	-0.7	-8.0%	-8.0%	1.4	1.2	-0.2	-17.6%	-17.6%	17.0%	15.3%
Overseas	27.5	26.2	-1.3	-4.5%	-2.6%	2.3	1.7	-0.6	-24.6%	-20.3%	8.2%	6.5%
Eliminations	(3.2)	(3.0)	0.2	-	-	0.0	0.0	-0.0	-	-	-	-
Functional Products	67.2	65.0	-2.2	-3.3%	-2.2%	5.2	3.6	-1.6	-31.1%	-30.4%	7.7%	5.5%
Japan	49.3	48.3	-1.0	-2.0%	-2.0%	3.5	2.2	-1.3	-37.7%	-37.7%	7.1%	4.5%
Overseas	24.4	22.6	-1.8	-7.4%	-4.6%	1.7	1.3	-0.4	-20.9%	-18.2%	7.0%	5.9%
Eliminations	(6.5)	(5.9)	0.6	-	-	(0.0)	0.0	0.0	-	-	-	-
Others, Corporate and eliminations	(8.9)	(8.6)	0.3	-	-	(1.6)	(1.6)	-0.0	-	-	-	-
Total	196.2	190.7	-5.5	-2.8%	-0.4%	11.0	8.1	-2.9	-26.7%	-24.9%	5.6%	4.2%
YEN/USD	108.65	110.17			+ 1.4%	108.65	110.17			+ 1.4%		
YEN/EUR	133.61	125.09			-6.4%	133.61	125.09			-6.4%		

Note: Effective from fiscal year 2019, DIC revised its segmentation in line with organizational amendments set forth in its medium-term management plan, DIC 111. Results for fiscal year 2018 have been restated to reflect these revisions. For more information, please see page 17.

Medium-term management plan, DIC111
<http://www.dic-global.com/en/ir/plan.html>



Packaging & Graphic

Net sales

- Although segment 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.
- Sales of packaging inks were firm, despite slowing economic growth.

Operating income

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

(Billion yen)	Net sales					Operating income					Operating margin	
	2018 3 Months	2019 3 Months	Change	% Change	% Change on a local currency basis	2018 3 Months	2019 3 Months	Change	% Change	% Change on a local currency basis	2018 3 Months	2019 3 Months
Packaging & Graphic	105.3	103.3	-2.0	-1.9%	+ 1.4%	3.7	3.2	-0.5	-11.8%	-10.5%	3.5%	3.1%
Japan	28.7	27.9	-0.8	-2.7%	-2.7%	1.3	1.2	-0.1	-8.8%	-8.8%	4.6%	4.3%
The Americas and Europe	62.7	61.4	-1.3	-2.0%	+ 2.6%	1.8	1.3	-0.5	-27.5%	-24.7%	2.8%	2.1%
Asia and Oceania	17.2	16.8	-0.4	-1.9%	+ 2.7%	0.6	0.7	0.1	+ 19.5%	+ 22.7%	3.4%	4.2%
Eliminations	(3.3)	(2.9)	0.4	-	-	(0.0)	0.0	0.0	-	-	-	-

Sales of principal products

(Billion yen)	% Change	
Packaging inks*	+ 3%	Sales increased, particularly in emerging economies.
Publication inks*	-5%	Sales were down, notwithstanding higher shipments in Asia, owing to an ebb in overall demand.
Jet inks	+ 30%	
Polystyrene	-4%	Sales languished, despite an increase in shipments, as declining raw materials prices prompted the reduction of sales prices.
Multilayer films	-3%	

*Change on a local currency basis

Color & Display

Net sales

- While shipments of functional pigments were firm, shipments of general-purpose pigments flagged and sales of thin-film transistor liquid crystals (TFT LCs) sank, hindered by sagging sales prices. As a consequence, segment sales declined.

Operating income

- Segment operating income declined. 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 China.

(Billion yen)	Net sales					Operating income					Operating margin	
	2018 3 Months	2019 3 Months	Change	% Change	% Change on a local currency basis	2018 3 Months	2019 3 Months	Change	% Change	% Change on a local currency basis	2018 3 Months	2019 3 Months
Color & Display	32.6	31.0	-1.6	-5.1%	-3.6%	3.7	2.9	-0.8	-22.3%	-19.7%	11.4%	9.3%
Japan	8.4	7.7	-0.7	-8.0%	-8.0%	1.4	1.2	-0.2	-17.6%	-17.6%	17.0%	15.3%
Overseas	27.5	26.2	-1.3	-4.5%	-2.6%	2.3	1.7	-0.6	-24.6%	-20.3%	8.2%	6.5%
Eliminations	(3.2)	(3.0)	0.2	-	-	0.0	0.0	-0.0	-	-	-	-

Sales of principal products

(Billion yen)	% Change	
General-purpose pigments	-7%	Sales declined, owing to flagging demand for use in inks.
Functional pigments	+ 9%	Sales of pigments for color filters and cosmetics were up.
Liquid crystal (LC) materials	-21%	Sales sank, hindered by sagging sales prices, despite higher shipments.
Health foods	+ 13%	

Functional Products

Net sales

- Flagging economic conditions pushed down sales across multiple product categories.

Operating income

- Operating income fell. 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.

(Billion yen)	Net sales					Operating income					Operating margin	
	2018 3 Months	2019 3 Months	Change	% Change	% Change on a local currency basis	2018 3 Months	2019 3 Months	Change	% Change	% Change on a local currency basis	2018 3 Months	2019 3 Months
Functional Products	67.2	65.0	-2.2	-3.3%	-2.2%	5.2	3.6	-1.6	-31.1%	-30.4%	7.7%	5.5%
Japan	49.3	48.3	-1.0	-2.0%	-2.0%	3.5	2.2	-1.3	-37.7%	-37.7%	7.1%	4.5%
Overseas	24.4	22.6	-1.8	-7.4%	-4.6%	1.7	1.3	-0.4	-20.9%	-18.2%	7.0%	5.9%
Eliminations	(6.5)	(5.9)	0.6	-	-	(0.0)	0.0	0.0	-	-	-	-

Sales of principal products

(Billion yen)	% Change	
Environment-friendly resins*	-4%	Sales were down, owing to sluggish shipments, particularly in China.
Epoxy resins	-13%	Sales declined, reflecting dwindling shipments for electrical and electronics equipment.
Polyphenylene sulfide (PPS) compounds	+ 1%	Sales advanced, bolstered by favorable shipments in Europe.
Industrial tapes	-12%	Sales for mobile communications devices were pushed down by flagging economic conditions.
Hollow-fiber membrane modules	-13%	

* Waterborne, UV-curable resins, polyester resins, acrylic resins, urethane resins

Consolidated balance sheet

(Billion yen)	Dec 31 2018 *	Mar 31 2019	Change
Current assets	409.7	468.5	58.9
Property, plant and equipment	228.2	233.3	5.2
Intangible assets	13.8	12.3	-1.5
Investments and other assets	149.7	150.1	0.3
Total assets	801.3	864.2	62.9
Current liabilities	255.6	302.9	47.3
Non-current liabilities	218.4	233.0	14.6
Total liabilities	474.0	535.9	62.0
Shareholders' equity	396.6	395.0	-1.6
Accumulated other comprehensive income	(97.7)	(96.7)	1.0
[Foreign currency translation adjustment]	[(67.6)]	[(66.6)]	[1.0]
Non-controlling interests	28.4	29.9	1.5
Total net assets	327.3	328.3	0.9
Total liabilities and net assets	801.3	864.2	62.9
Closing rate (YEN/USD)	110.39	110.75	
Shareholders' equity to total assets	37.3%	34.5%	
Interest-bearing debt	264.5	328.8	64.3
Cash and deposits	19.8	62.4	42.6

* Owing to a partial revision of the accounting standard for tax effect accounting effective from fiscal year 2019, year-end figures for fiscal year 2018 have been restated.

Consolidated statement of income

(Billion yen)	2018 3 Months	2019 3 Months	Change
Net sales	196.2	190.7	-5.5
Cost of sales	(153.0)	(151.1)	1.9
Selling, general and administrative expenses	(32.2)	(31.5)	0.7
Operating income	11.0	8.1	-2.9
Interest expenses	(0.3)	(0.4)	-0.1
Equity in earnings of affiliates	0.9	0.3	-0.5
Foreign exchange gains (losses)	(0.2)	(0.1)	0.1
Other, net	(0.4)	0.2	0.6
Ordinary income	11.0	8.1	-2.9
Extraordinary loss	(0.7)	(0.5)	0.2
Income before income taxes	10.3	7.6	-2.7
Income taxes	(2.4)	(1.8)	0.6
Net income	7.9	5.8	-2.1
Net income attributable to non-controlling interests	(0.5)	(0.5)	-0.0
Net income attributable to owners of the parent	7.4	5.3	-2.1

Average rate	YEN/USD	108.65	110.17
	YEN/EUR	133.61	125.09

Extraordinary income and loss

	2018 3 Months	2019 3 Months
Extraordinary loss		
Loss on disposal of non-current assets	(0.5)	(0.5)
Severance costs	(0.2)	(0.0)

Consolidated statement of cash flows

(Billion yen)	2018 3 Months	2019 3 Months	Change
Cash flows from operating activities	9.8	(5.2)	-15.0
[Excluding the impact of restraint of A/R securitization]	[9.8]	[7.8]	[-2.0]
Cash flows from investing activities	(13.4)	(9.2)	4.2
Cash flows from financing activities	64.0	54.8	-9.1
[Excluding the impact of restraint of A/R securitization]	[64.0]	[41.8]	[-22.2]
Cash and cash equivalents at end of the period	75.5	59.4	-16.1
Free cash flow	(3.6)	(14.4)	-10.8
[Excluding the impact of restraint of A/R securitization]	[(3.6)]	[(1.4)]	[2.2]
Increase (decrease) in working capital	1.1	(16.7)	-17.7
[Excluding the impact of restraint of A/R securitization]	[1.1]	[(3.7)]	[-4.8]
Capital expenditure and investment	11.9	8.6	-3.3
Depreciation and amortization	8.1	7.9	-0.2

Note: Consolidated statement of cash flows fall outside the scope of required disclosure. Accordingly, these figures are provided for reference only.

Full-year operating results forecasts

Operating results forecasts have not been revised, although downside risks exist. DIC will continue to monitor trends in its operating results in 2Q (April to June), when demand for its products rises, as well as in its operating environment.

(Billion yen)	2018	2019 Forecast	% Change	% Change on a local currency basis
Net sales	805.5	850.0	+5.5%	+6.7%
Operating income	48.4	52.0	+7.5%	+9.4%
Operating margin	6.0%	6.1%	—	—
Ordinary income	48.7	52.0	+6.8%	—
Net income*	32.0	35.0	+9.3%	—
EPS (Yen)	338.40	369.80	—	—
EBITDA	81.4	87.0	+6.9%	—
Capital expenditure and investment	45.1	42.5	-5.7%	
Depreciation and amortization	32.8	35.0	+6.6%	
Average rate				
YEN/USD	110.46	110.00	-0.4%	
YEN/EUR	130.46	123.20	-5.6%	
ROE	10.4%	11.3%		
D/C ratio **	44.7%	42.7%		
Annual dividends per share (Yen)	125.0	125.0		
Payout ratio	36.9%	33.8%		

* Net income attributable to owners of the parent

** D/C ratio: Interest-bearing debt / (Interest-bearing debt + Net assets)

Full-year segment results forecasts

(Billion yen)	Net sales					Operating income					Operating margin	
	2018	2019 Forecast	Change	% Change	% Change on a local currency basis	2018	2019 Forecast	Change	% Change	% Change on a local currency basis	2018	2019 Forecast
Packaging & Graphic	434.7	460.0	25.3	+ 5.8%	+ 6.9%	19.9	20.2	0.3	+ 1.5%	+ 3.5%	4.6%	4.4%
Japan	120.3	121.7	1.4	+ 1.2%	+ 1.2%	6.8	6.0	-0.8	-11.4%	-11.4%	5.6%	4.9%
The Americas and Europe	255.3	271.7	16.4	+ 6.4%	+ 7.7%	10.0	9.6	-0.4	-4.0%	-1.0%	3.9%	3.5%
Asia and Oceania	71.1	79.0	7.9	+ 11.1%	+ 13.4%	3.2	4.6	1.4	+ 44.1%	+ 48.1%	4.5%	5.9%
Eliminations	(12.0)	(12.4)	-0.4	-	-	(0.1)	(0.0)	0.1	-	-	-	-
Color & Display	124.1	129.6	5.5	+ 4.4%	+ 6.0%	15.0	15.4	0.4	+ 3.1%	+ 4.8%	12.1%	11.9%
Japan	34.5	34.5	0.0	+ 0.2%	+ 0.2%	7.0	7.2	0.2	+ 2.4%	+ 2.4%	20.3%	20.7%
Overseas	101.4	106.6	5.2	+ 5.1%	+ 7.1%	7.9	8.3	0.4	+ 4.7%	+ 8.1%	7.8%	7.8%
Eliminations	(11.7)	(11.5)	0.2	-	-	0.1	0.0	-0.1	-	-	-	-
Functional Products	282.1	296.9	14.8	+ 5.2%	+ 6.3%	20.8	24.1	3.3	+ 15.7%	+ 17.0%	7.4%	8.1%
Japan	208.3	212.0	3.7	+ 1.8%	+ 1.8%	14.0	15.4	1.4	+ 9.4%	+ 9.4%	6.7%	7.2%
Overseas	100.4	112.3	11.9	+ 11.9%	+ 15.3%	6.7	8.7	2.0	+ 29.3%	+ 33.8%	6.7%	7.7%
Eliminations	(26.6)	(27.4)	-0.8	-	-	0.1	0.0	-0.1	-	-	-	-
Others, Corporate and eliminations	(35.4)	(36.5)	-1.1	-	-	(7.3)	(7.7)	-0.4	-	-	-	-
Total	805.5	850.0	44.5	+ 5.5%	+ 6.7%	48.4	52.0	3.6	+ 7.5%	+ 9.4%	6.0%	6.1%
YEN/USD	110.46	110.00		-0.4%		110.46	110.00		-0.4%			
YEN/EUR	130.46	123.20		-5.6%		130.46	123.20		-5.6%			

Note: Effective from fiscal year 2019, DIC revised its segmentation in line with organizational amendments set forth in its medium-term management plan, DIC 111. Results for fiscal year 2018 have been restated to reflect these revisions. For more information, please see page 17.

Medium-term management plan, DIC111
<http://www.dic-global.com/en/ir/plan.html>



Major topics

Jan DIC Subsidiary in Indonesia Wins Award in DKI–Jakarta–Company Environment Performance Appraisal Program



Feb DIC Develops Wireless Sensor which realizes Soft Electronics



Feb DIC is Selected for the First Time for Inclusion in the FTSE4Good Index and the FTSE Blossom Japan Index, Two Leading ESG Investment Indices












Feb DIC is Included in The Sustainability Yearbook 2019, Published by Swiss International Investment Company RobecoSAM



Mar DIC Decides to Create Supply Framework for PPS Compounds in North America



Business segments and principal products

Segment	<h2>Packaging & Graphic</h2> <div>  <p>Net sales ¥434.7 bn</p>  <p>Operating income /Margin ¥19.9 bn 4.6%</p> </div>	<h2>Color & Display</h2> <div>  <p>Net sales ¥124.1 bn</p>  <p>Operating income /Margin ¥15.0 bn 12.1%</p> </div>	<h2>Functional Products</h2> <div>  <p>Net sales ¥282.1 bn</p>  <p>Operating income /Margin ¥20.8 bn 7.4%</p> </div>
Principal products	 <p> Packaging inks Packaging adhesives Packaging materials Polystyrene Multilayer films Publication inks Jet inks Security inks </p>	 <p> Functional pigments Pigments for color filters Pigments for cosmetics Effect pigments Natural colorants Liquid crystal materials General-purpose pigments </p>	 <p> Environment-friendly products Waterborne, UV-curable resins Polyester resins Acrylic resins Urethane resins Epoxy resins PPS compounds Industrial tapes Hollow-fiber membrane modules </p>
Global market share	<p> #1 Printing inks </p>	<p> #1 Organic pigments #3 TFT LCs #1 Spirulina </p>	<p> #1 PPS compounds </p>

Note: Figures for fiscal year 2018 have been restated to reflect revisions to segmentation.

Principal products by previous and new business segments

Previous business segments (as of FY2018)

Printing Inks
Packaging inks Packaging adhesives Publication inks Security inks
Fine Chemicals
Functional pigments General-purpose pigments Liquid crystal materials
Polymers
Polystyrene
Waterborne resins Polyester resins Acrylic resins UV-curable resins Urethane resins Epoxy resins Unsaturated polyester resins
Compounds
Jet inks
PPS compounds Colorants
Application Materials
Multilayer films
Industrial tapes Hollow-fiber membrane modules
Health foods Natural colorants

New business segments (as of FY2019)

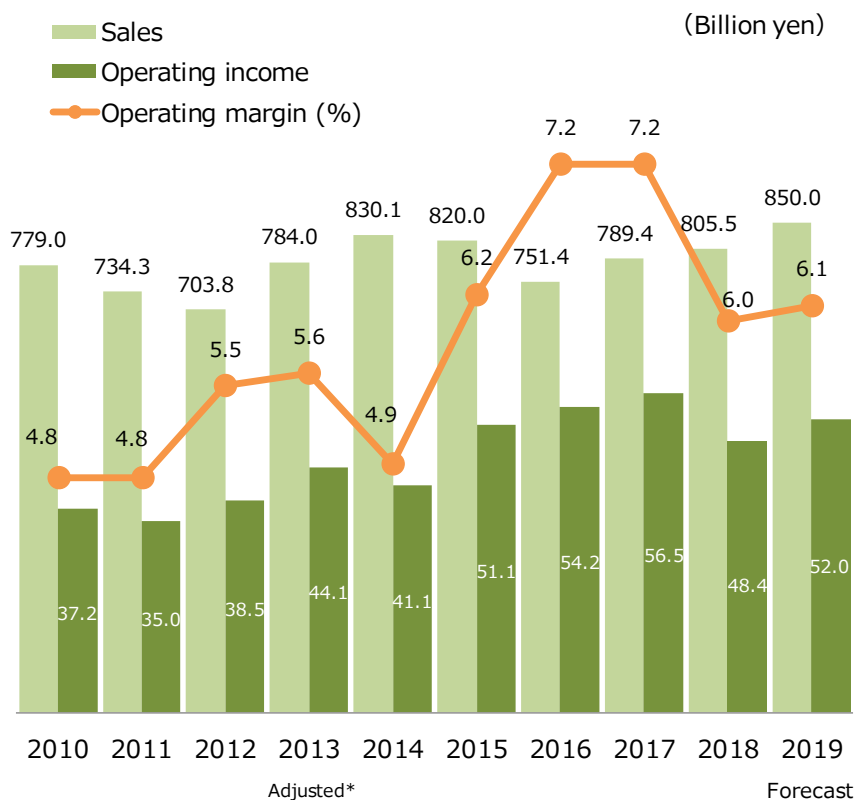
Packaging & Graphic
Packaging inks Packaging adhesives Jet inks Security inks Publication inks Polystyrene Multilayer films
Color & Display
Functional pigments General-purpose pigments Liquid crystal materials Health foods Natural colorants
Functional Products
Environment-friendly resins Epoxy resins Unsaturated polyester resins PPS compounds Colorants Industrial tapes Hollow-fiber membrane modules

Medium-term management plan, DIC111
<http://www.dic-global.com/en/ir/plan.html>



Historical performance data (Reference)

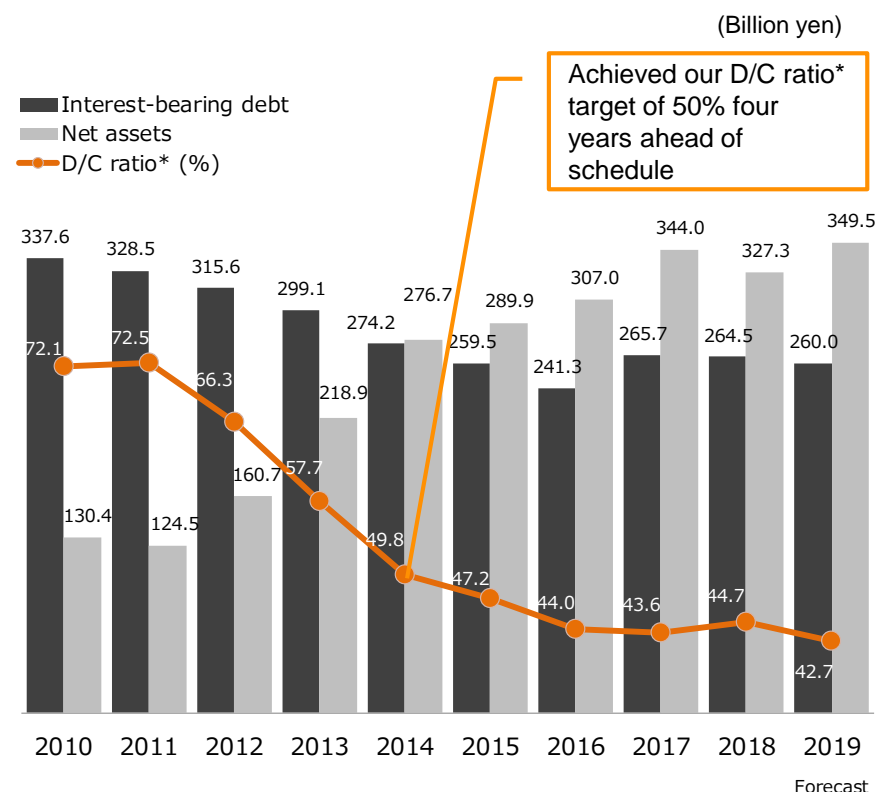
Operating results



Increase operating margin

Increase operating income

Financial health



Improvement of D/C ratio*

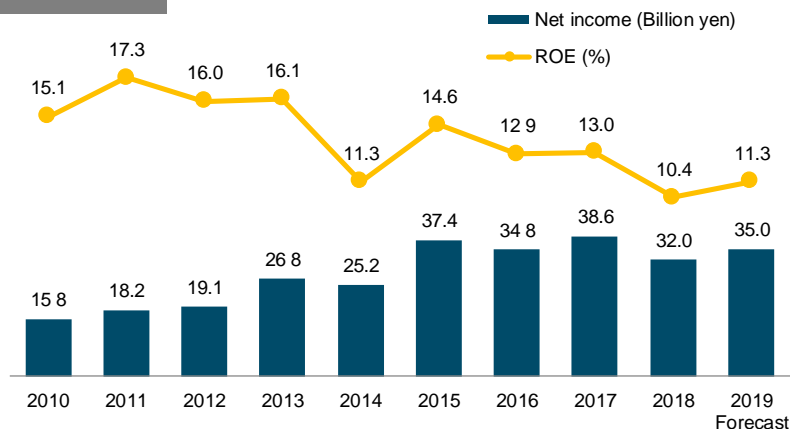
D/C ratio* around 50%

* Adjusted to reflect the impact of the changes in the fiscal year-end

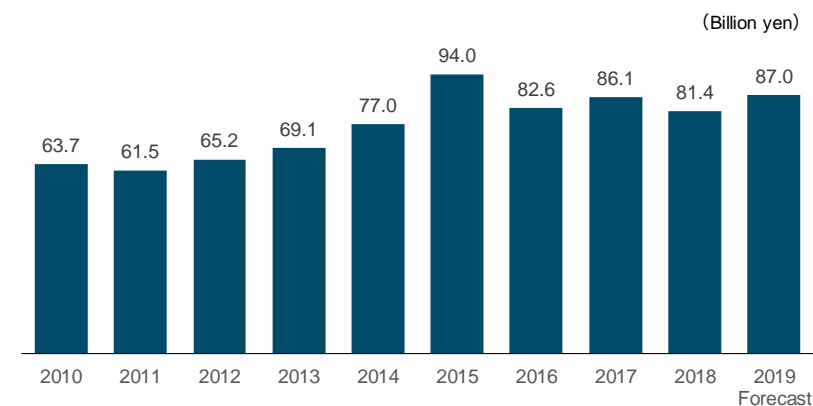
* D/C ratio: Interest-bearing debt / (Interest-bearing debt + Net assets)

Historical performance data (Reference)

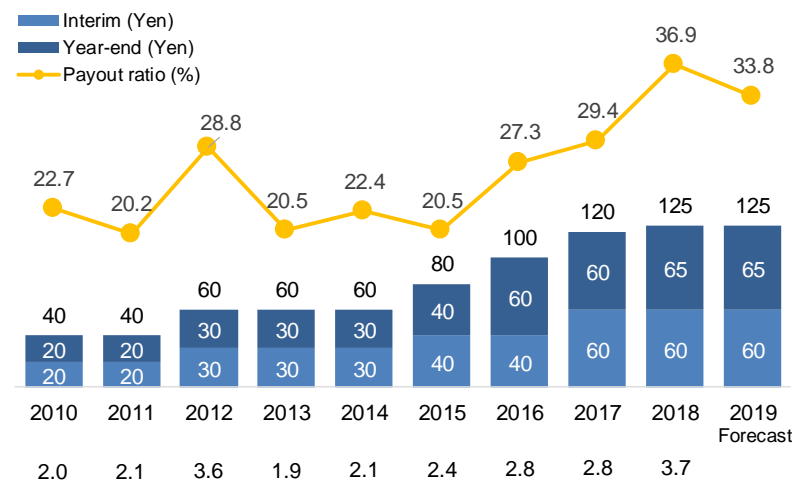
ROE



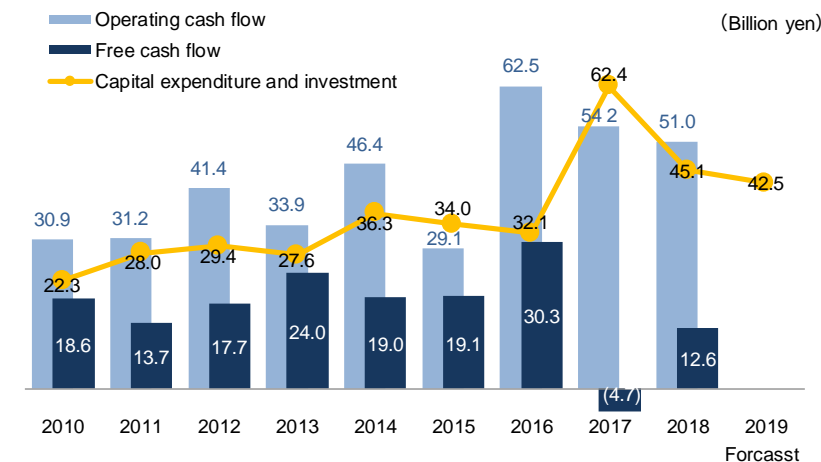
EBITDA***



Shareholder returns*



Capital expenditure and investment, operating cash flows



* Adjusted to reflect the impact of the consolidation of shares of common stock

** Dividend yield: Annual dividends / Closing price per share at fiscal year-end

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



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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 materially 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.