



Consolidated Financial Results for the Six Months Ended June 30, 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/>

Representative: Kaoru Ino, Representative Director, President and CEO

Contact Person: Jun Kaneko, General Manager, Accounting Department

Preparation of Supplemental Explanatory Materials: Yes

Holding of Quarterly Financial Results Meeting: Yes (for security analysts and institutional investors, etc.)

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Stock Exchange: Tokyo
Head Office: Tokyo
Tel: +81 (3) 6733-3000

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2019 (January 1, 2019 – June 30, 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)	%
Six months ended June 30, 2019	385,014	-3.5	18,392	-24.4	18,994	-22.4	13,130	-11.9
Six months ended June 30, 2018	398,788	4.2	24,318	-6.6	24,473	-6.1	14,905	-14.5

Note: Comprehensive income (JPY million): Six months ended June 30, 2019 7,642 (—%)
Six months ended June 30, 2018 481 (-97.1%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Six months ended June 30, 2019	138.73	—
Six months ended June 30, 2018	157.48	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of June 30, 2019	848,019	328,544	35.2
As of December 31, 2018	801,296	327,334	37.3

Reference: Shareholders' equity (JPY million): As of June 30, 2019 298,631 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	—	60.00	—	—	—
FY2019 (Plan)	—	—	—	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
FY2019	790,000	-1.9	43,000	-11.1	41,000	-15.8	30,000	-6.3	316.97

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2019: Yes

For details, please refer to "Analysis of Results of Operations (3) Operating Results Forecasts for Fiscal Year 2019."

Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the six months ended June 30, 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 June 30, 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 June 30, 2019	510,480 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 six months ended June 30, 2019	94,646,703 shares,	For the six months ended June 30, 2018	94,646,847 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)

	Six months ended June 30, 2018	Six months ended June 30, 2019	Change (%)	Change (%) [Local currency basis]
Net sales	398.8	385.0	-3.5%	-0.2%
Operating income	24.3	18.4	-24.4%	-18.3%
Ordinary income	24.5	19.0	-22.4%	—
Net income attributable to owners of the parent	14.9	13.1	-11.9%	—
EBITDA*	38.7	33.7	-13.1%	—
¥/US\$1.00 (Average rate)	109.04	109.83	0.7%	—
¥/EUR1.00 (Average rate)	131.98	124.05	-6.0%	—

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

In the six months ended June 30, 2019, consolidated net sales slipped 3.5%, to ¥385.0 billion. Owing to the impact of slowing global economic growth, shipments sank in a wide range of businesses, centering on materials used in electrical and electronics equipment and in automobiles. Net sales in the second quarter (April 1–June 30) were down 4.1% from the corresponding quarter of the previous fiscal year, despite rising 1.9% from the first quarter (January 1–March 31).

Operating income dropped 24.4%, to ¥18.4 billion. In addition to falling shipments, particularly of high-value-added products, this sharp decrease reflected flagging sales prices for some products. A decline in results overseas after translation, a consequence of yen appreciation, also pushed operating income down. Although prices for certain raw materials remained high, owing to environmental regulations in the People's Republic of China (PRC) and trade friction between the PRC and the United States, among others, the impact turned from negative in the first quarter to positive in the second quarter, in line with initial expectations. Nonetheless, the positive impact did not reach the level anticipated as a result of the aforementioned fall in shipments.

Operating income was also substantially short of DIC's initial forecast, although this was due primarily to the larger-than-expected fall in shipments, which reflected factors such as trade friction and slowing economic growth in the PRC.

Ordinary income decreased 22.4%, to ¥19.0 billion.

Net income attributable to owners of the parent was down 11.9%, to ¥13.1 billion, as the rate of decline was mitigated somewhat by extraordinary income on the sale of shares in affiliated companies.

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Six months ended June 30, 2018	Six months ended June 30, 2019	Change (%)	Change (%) Local currency basis	Six months ended June 30, 2018	Six months ended June 30, 2019	Change (%)	Change (%) Local currency basis
Packaging & Graphic	214.3	208.7	-2.6%	2.2%	9.4	8.0	-14.8%	-1.0%
Color & Display	64.5	61.1	-5.2%	-3.5%	8.2	6.0	-26.9%	-24.4%
Functional Products	137.9	132.1	-4.2%	-3.1%	10.1	7.9	-21.7%	-20.8%
Others, Corporate and eliminations	(17.9)	(16.9)	—	—	(3.4)	(3.5)	—	—
Total	398.8	385.0	-3.5%	-0.2%	24.3	18.4	-24.4%	-18.3%

Note: Effective from January 1, 2019, DIC revised its segmentation to coincide with the launch of its new medium-term management plan, DIC111. Accordingly, figures for the six months ended June 30, 2018, have been restated.
For information on DIC111, please visit <http://www.dic-global.com/en/ir/plan.html>.

Packaging & Graphic

	Six months ended June 30, 2018	Six months ended June 30, 2019	Change (%)	Change (%) [Local currency basis]
Net sales	¥214.3 billion	¥208.7 billion	-2.6%	2.2%
Operating income	¥9.4 billion	¥8.0 billion	-14.8%	-1.0%

Segment sales slipped 2.6%, to ¥208.7 billion. Although sales were up 2.2% 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 rose, particularly in emerging economies in Asia and South America. 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, owing to an ebb in overall demand. Sales of jet inks for digital printing rose sharply.

Segment operating income decreased 14.8%, to ¥8.0 billion, notwithstanding the revision of sales prices. This result was attributable to the persistent impact of rising raw materials prices, particularly on publication inks. The weakness of the euro and emerging economy currencies also had a significant negative influence after translation into yen.

Color & Display

	Six months ended June 30, 2018	Six months ended June 30, 2019	Change (%)	Change (%) [Local currency basis]
Net sales	¥64.5 billion	¥61.1 billion	-5.2%	-3.5%
Operating income	¥8.2 billion	¥6.0 billion	-26.9%	-24.4%

Segment sales, at ¥61.1 billion, were down 5.2%. In the area of color materials, shipments of pigments for cosmetics rose, while shipments of general-purpose pigments for publication inks and other applications flagged. In display materials, shipments of pigments for color filters were firm. Despite steady shipments, sales of thin-film transistor liquid crystals (TFT LCs) declined, hindered by sagging sales prices, which reflected increasingly intense competition.

Segment operating income dropped 26.9%, to ¥6.0 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 and by raw materials price increases resulting from trade friction.

Functional Products

	Six months ended June 30, 2018	Six months ended June 30, 2019	Change (%)	Change (%) [Local currency basis]
Net sales	¥137.9 billion	¥132.1 billion	-4.2%	-3.1%
Operating income	¥10.1 billion	¥7.9 billion	-21.7%	-20.8%

Segment sales decreased 4.2%, to ¥132.1 billion. While applications for polyphenylene sulfide (PPS) compounds continue to expand thanks to the trend toward lighter and increasingly electrified vehicles, shipments remained low, reflecting a downtrend in automobile production worldwide. Flagging economic conditions pushed down sales of epoxy resins and industrial 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 21.7%, to ¥7.9 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 higher distribution and utilities costs, prompting a substantial decline.

(3) Operating Results Forecasts for Fiscal Year 2019

(Billions of yen)

	FY2018	FY2019	Change (%)	Change (%) [Local currency basis]
Net sales	805.5	790.0 [850.0]	-1.9%	0.9%
Operating income	48.4	43.0 [52.0]	-11.1%	-7.1%
Ordinary income	48.7	41.0 [52.0]	-15.8%	—
Net income attributable to owners of the parent	32.0	30.0 [35.0]	-6.3%	—
¥/US\$1.00 (Average rate)	110.46	108.85	-1.5%	—
¥/EUR1.00 (Average rate)	130.46	121.75	-6.7%	—

Notes:

1. Forecasts in squared parentheses are those published on May 15, 2019.
2. The above forecasts do not take into account the impact of a fire at DIC's Saitama Plant on August 3, 2019.

In light of its performance in the six months ended June 30, 2019, DIC has revised its operating results forecasts for fiscal year 2019. The Company has also amended its average exchange rate assumptions for the period to reflect the likelihood of further yen appreciation.

With the revision of sales prices expected to offset the negative impact of rising raw materials prices, the profitability of high-value-added products is expected to recover. However, given the lingering lack of clarity in the global economic outlook—a consequence of trade issues, the economic outlook in the PRC, risks associated with the United Kingdom's exit from the European Union and other factors—shipments of a variety of products, including materials for use in electrical and electronics equipment and in automobiles, are likely to fall short of initial projections.

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 June 30, 2019
(Assets)		
Current assets		
Cash and deposits	19,782	60,303
Notes and accounts receivable-trade	209,763	217,045
Merchandise and finished goods	94,611	95,087
Work in process	9,403	9,994
Raw materials and supplies	61,937	60,953
Other	23,878	23,639
Allowance for doubtful accounts	(9,722)	(9,791)
Total current assets	409,652	457,230
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	88,892	88,502
Machinery, equipment and vehicles, net	70,951	69,635
Tools, furniture and fixtures, net	11,395	11,522
Land	48,985	52,291
Construction in progress	7,928	9,087
Total property, plant and equipment	228,151	231,037
Intangible assets		
Goodwill	34	858
Software	2,887	2,777
Customer-related assets	3,359	2,908
Other	7,502	5,974
Total intangible assets	13,782	12,517
Investments and other assets		
Investment securities	67,523	64,151
Net defined benefit asset	25,089	28,012
Other	57,260	55,782
Allowance for doubtful accounts	(161)	(710)
Total investments and other assets	149,711	147,235
Total non-current assets	391,644	390,789
Total assets	801,296	848,019

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	118,554	109,030
Short-term loans payable	79,778	48,269
Commercial papers	—	62,000
Income taxes payable	2,843	2,458
Provision for bonuses	6,283	6,113
Other	48,143	44,823
Total current liabilities	255,601	272,693
Non-current liabilities		
Bonds payable	60,000	70,000
Long-term loans payable	119,791	138,072
Net defined benefit liability	20,519	18,820
Asset retirement obligations	1,482	1,455
Other	16,569	18,435
Total non-current liabilities	218,361	246,782
Total liabilities	473,962	519,475
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,445	94,455
Retained earnings	207,421	213,525
Treasury shares	(1,823)	(1,820)
Total shareholders' equity	396,600	402,717
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,407	1,065
Deferred gains or losses on hedges	14	(4)
Foreign currency translation adjustment	(67,617)	(75,285)
Remeasurements of defined benefit plans	(31,508)	(29,862)
Total accumulated other comprehensive income	(97,704)	(104,086)
Non-controlling interests	28,438	29,913
Total net assets	327,334	328,544
Total liabilities and net assets	801,296	848,019

Consolidated Quarterly Statement of Income

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net sales	398,788	385,014
Cost of sales	309,913	303,185
Gross profit	88,875	81,829
Selling, general and administrative expenses		
Employees' salaries and allowances	21,913	21,469
Provision of allowance for doubtful accounts	(1)	585
Provision for bonuses	2,363	2,269
Retirement benefit expenses	61	470
Other	40,221	38,644
Total selling, general and administrative expenses	64,557	63,437
Operating income	24,318	18,392
Non-operating income		
Interest income	1,687	1,348
Dividends income	283	280
Equity in earnings of affiliates	1,851	1,100
Other	907	1,115
Total non-operating income	4,728	3,843
Non-operating expenses		
Interest expenses	2,275	1,979
Foreign exchange losses	318	360
Other	1,980	902
Total non-operating expenses	4,573	3,241
Ordinary income	24,473	18,994
Extraordinary income		
Gain on sales of subsidiaries and affiliates securities	—	1,560
Gain on sales of non-current assets	416	—
Gain on sales of investment securities	365	—
Total extraordinary income	781	1,560
Extraordinary loss		
Loss on disposal of non-current assets	1,118	944
Provision of allowance for doubtful accounts	—	555
Severance costs	1,171	501
Amortization of prior service costs	—	390
Loss on disaster	373	—
Total extraordinary loss	2,662	2,390
Income before income taxes and non-controlling interests	22,592	18,164
Income taxes	6,760	3,953
Net income	15,832	14,211
Net income attributable to non-controlling interests	927	1,081
Net income attributable to owners of the parent	14,905	13,130

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net income	15,832	14,211
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,325)	(299)
Deferred gains or losses on hedges	5	(18)
Foreign currency translation adjustment	(13,223)	(6,558)
Remeasurements of defined benefit plans, net of tax	1,413	1,666
Share of other comprehensive income of associates accounted for using equity method	(1,221)	(1,360)
Total other comprehensive income	(15,351)	(6,569)
Comprehensive income	481	7,642
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(81)	6,748
Comprehensive income attributable to non-controlling interests	562	894

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	22,592	18,164
Depreciation and amortization	16,399	15,947
Amortization of goodwill	95	11
Increase (decrease) in allowance for doubtful accounts	(403)	927
Increase (decrease) in provision for bonuses	(444)	(171)
Interest and dividends income	(1,970)	(1,628)
Equity in (earnings) losses of affiliates	(1,851)	(1,100)
Interest expenses	2,275	1,979
Loss (gain) on sales and retirement of non-current assets	702	944
Loss (gain) on sales of subsidiaries and affiliates securities	—	(1,560)
Loss (gain) on sales of investment securities	(365)	—
Decrease (increase) in notes and accounts receivable-trade	(5,964)	(8,844)
Decrease (increase) in inventories	(12,953)	(2,307)
Increase (decrease) in notes and accounts payable-trade	5,267	(9,286)
Other, net	(8,920)	(6,478)
Subtotal	14,460	6,598
Interest and dividends income received	3,327	2,444
Interest expenses paid	(2,192)	(1,990)
Income taxes paid	(6,582)	(3,816)
Net cash provided by (used in) operating activities	9,013	3,236
Net cash provided by (used in) investing activities		
Payments into time deposits	(2,447)	(1,841)
Proceeds from withdrawal of time deposits	1,771	511
Purchase of property, plant and equipment	(13,623)	(15,593)
Proceeds from sales of property, plant and equipment	1,294	242
Purchase of intangible assets	(734)	(557)
Purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	(4,469)	(1,564)
Proceeds from purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	—	221
Proceeds from sales of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	—	903
Purchase of subsidiaries and affiliates securities	(83)	—
Proceeds from sales of subsidiaries and affiliates securities	679	2,500
Purchase of investment securities	(228)	(321)
Proceeds from sales and redemption of investment securities	942	120
Payments for transfer of business	(580)	—
Other, net	65	(291)
Net cash provided by (used in) investing activities	(17,413)	(15,670)

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(12,547)	(4,034)
Increase (decrease) in commercial papers	60,500	62,000
Proceeds from long-term loans payable	34,706	32,900
Repayment of long-term loans payable	(11,200)	(40,568)
Proceeds from issuance of bonds	10,000	10,000
Cash dividends paid	(5,688)	(6,162)
Cash dividends paid to non-controlling interests	(953)	(614)
Net decrease (increase) in treasury shares	10	3
Purchase of shares and investments in capital of subsidiaries that does not result in change in scope of consolidation	—	(131)
Other, net	(412)	(640)
Net cash provided by (used in) financing activities	74,416	52,754
Effect of exchange rate change on cash and cash equivalents	568	(1,100)
Net increase (decrease) in cash and cash equivalents	66,584	39,220
Cash and cash equivalents at beginning of the period	17,651	18,631
Cash and cash equivalents at end of the period	84,235	57,851