



Consolidated Financial Results for the Six Months Ended June 30, 2016 (Japan GAAP)
(Fiscal year ending December 31, 2016)

August 9, 2016
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Company Name: DIC Corporation

Listing Code Number: 4631
 URL: <http://www.dic-global.com/en/>
 Representative: Yoshiyuki Nakanishi, Representative Director, President and CEO
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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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 Dividend Payment : September 1, 2016

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2016 (January 1, 2016 – June 30, 2016)

(1) Consolidated operating results

(The percentages indicate the changes from 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, 2016	377,695	-7.8	26,072	15.5	26,690	22.3	16,969	11.0
Six months ended June 30, 2015	409,620	0.3	22,570	13.9	21,831	18.8	15,285	48.1

Note: Comprehensive income (JPY million): Six months ended June 30, 2016 -17,786 (-%), Six months ended June 30, 2015 17,399 (407.1%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Six months ended June 30, 2016	178.98	—
Six months ended June 30, 2015	158.90	—

The Company implemented a consolidation of shares of common stocks 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, 2015.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of June 30, 2016	739,488	267,354	32.5
As of December 31, 2015	778,857	289,857	33.7

Note: Shareholders' equity (JPY million): As of June 30, 2016 240,580, As of December 31, 2015 262,467

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
FY2015	—	4.00	—	4.00	8.00
FY2016	—	4.00	—	—	—
FY2016 (Plan)	—	—	—	40.00	—

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

The forecast for year-end cash dividend per share for the fiscal year 2016 reflects the impact of the consolidation of shares, while the forecast for annual cash dividend per share for the fiscal year 2016 has been omitted. Had the consolidation of shares not been taken into consideration, the forecast for year-end and annual cash dividends per share for the fiscal year 2016 would be 4 yen and 8 yen, respectively. For further details, please refer to "Explanation of the appropriate use of performance forecasts, and other special items."

3. Forecasts for Consolidated Operating Results for the Fiscal Year Ending December 31, 2016 (January 1, 2016 – December 31, 2016)

(The percentages indicate the changes from 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
FY2016	780,000	-4.9	54,000	5.7	52,000	6.1	30,000	-19.8	316.43

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2016: Yes

The forecast for earnings per share basic for the fiscal year 2016 reflects the impact of consolidation of shares. For further details, please refer to "Explanation of the appropriate use of performance forecasts, and other special items."

Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the six months ended June 30, 2016: 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): No
 - 3) Changes in accounting estimates: No
 - 4) Restatements: No
- (4) Number of common stocks
 - 1) Number of common stocks issued at the end of period, including treasury shares
 As of June 30, 2016 95,156,904 shares, As of December 31, 2015 96,537,204 shares
 - 2) Number of treasury shares at the end of period
 As of June 30, 2016 350,519 shares, As of December 31, 2015 1,729,475 shares
 - 3) Average number of common stocks issued during period, excluding treasury shares
 For the six months ended June 30, 2016 94,807,075 shares, For the six months ended June 30, 2015 96,191,549 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, 2015.

Note: Implementation status of quarterly review procedures

Although these quarterly consolidated financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Law, the quarterly consolidated financial statements review procedures have been completed at the time of disclosure of these financial results.

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.

Cash dividends and operating results forecasts following consolidation of shares

At the 118th Annual General Meeting of Shareholders held on March 29, 2016, a proposal for the consolidation of shares was approved. Accordingly, the Company consolidated its common stocks by a factor of 10 to 1 with July 1, 2016, as the effective date. Had the consolidation of shares not been taken into consideration, the forecasts for cash dividends and consolidated operating results for the fiscal year ending December 31, 2016, are as follows:

1. Cash dividends per share forecasts for the fiscal year 2016
 End of 2nd quarter: 4 yen (Note1)
 Year-end: 4 yen
2. Consolidated operating results forecasts for the fiscal year 2016
 (Earnings per share basic)
 Year-end: 31.64 yen

(Notes)

1. The cash dividend for the end of 2nd quarter will be paid in accordance with the number of common stocks before the consolidation of shares.
2. The annual cash dividend for the fiscal year 2016 (without reflecting the impact of the consolidation of shares) is 8 yen.

Analysis of Results of Operations

(1) Overview of Operating Results

In the six months ended June 30, 2016, the economies of North America and Europe continued to see moderate recovery. In Asia, the pace of growth in the People's Republic of China (PRC) decelerated gradually, although a revival was seen in Southeast Asia. Conditions in India remained on a gentle upswing. Japan's economy showed signs of a gradual rally, despite evidence of weakness. Nonetheless, uncertainty in the global economy has heightened since the United Kingdom's vote to leave the European Union.

In this environment, consolidated net sales declined 7.8%, to ¥377.7 billion.

Operating income advanced 15.5%, to ¥26.1 billion. Factors behind this result included higher sales of high-value-added products and cost reductions.

Ordinary income increased 22.3%, to ¥26.7 billion, bolstered by an improved financial position, among others.

Net income attributable to owners of the parent rose 11.0%, to ¥17.0 billion.

(Billions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Net sales	409.6	377.7	-7.8%	-0.8%
Operating income	22.6	26.1	15.5%	24.6%
Ordinary income	21.8	26.7	22.3%	—
Net income attributable to owners of the parent	15.3	17.0	11.0%	—

Note: The exchange rates used to translate the results of overseas DIC Group companies for the six months ended June 30, 2016 and 2015, respectively, are as follows:

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

Six months ended June 30, 2015: ¥120.23/US\$1.00 (average for the six months ended June 30, 2015)

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Six months ended June 30, 2015	Six months ended June 30, 2016	Change (%)	Change (%) excluding the impact of foreign currency fluctuations	Six months ended June 30, 2015	Six months ended June 30, 2016	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Printing Inks	204.0	185.6	-9.0%	0.6%	7.4	8.3	12.1%	25.9%
Fine Chemicals	68.9	65.8	-4.5%	1.0%	6.8	7.0	1.9%	8.3%
Polymers	97.9	89.7	-8.4%	-4.9%	7.1	9.4	33.1%	40.1%
Compounds	31.5	30.8	-2.4%	3.1%	2.4	2.8	16.1%	20.4%
Application Materials	29.0	26.7	-8.0%	-6.3%	1.1	0.9	-21.1%	-20.4%
Others, Corporate and eliminations	(21.7)	(20.9)	—	—	(2.2)	(2.3)	—	—
Total	409.6	377.7	-7.8%	-0.8%	22.6	26.1	15.5%	24.6%

Note: Effective from January 1, 2016, the Company has revised its segmentation to coincide with the launch of its new medium-term management plan, DIC108. Accordingly, certain figures for the six months ended June 30, 2015, have been restated.

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	¥39.3 billion	Change	0.4%
Operating income	¥2.2 billion	Change	97.4%

Sales of packaging inks benefited from steady shipments. Sales of adhesives and new products expanded. As a consequence, sales in Japan rose.

Operating income soared, underpinned by the aforementioned sales results, as well as by the positive impact of cost reductions and an improved product mix, among others.

The Americas and Europe

Net sales	¥120.0 billion	Change	-11.4%	[0.4%]
Operating income	¥3.8 billion	Change	-6.4%	[15.7%]

Although sales of publishing inks and news inks were down, reflecting waning demand, sales in Europe and North America were level, bolstered by higher sales of packaging inks. Sales in Central and South America advanced, buoyed by brisk shipments of packaging inks and publishing inks. For these and other reasons, overall sales in the Americas and Europe edged up in local currency terms, but declined after translation, owing to foreign currency fluctuations.

Foreign currency fluctuations also hindered operating income, which decreased despite a double-digit gain in local currency terms.

Asia and Oceania

Net sales	¥30.9 billion	Change	-12.8%	[-0.8%]
Operating income	¥2.4 billion	Change	0.6%	[14.8%]

Slowing economic growth pushed down demand in the PRC, as a result of which sales fell in all product categories. A sharp increase in sales of publishing inks and packaging inks underpinned higher sales in Southeast Asia. In Oceania, sales declined as robust shipments of publishing inks and packaging inks were insufficient to counter flagging demand for news inks. Sales in India were down, with contributing factors including falling sales of news inks. For these and other reasons, overall sales in Asia and Oceania decreased.

Operating income was up, bolstered by increased sales of high-value-added products and cost reductions, among others.

Fine Chemicals

Net sales	¥65.8 billion	Change	-4.5%	[1.0%]
Operating income	¥7.0 billion	Change	1.9%	[8.3%]

In pigments, sales in Japan rose, owing to brisk shipments, led by pigments for color filters. Pigment sales in the Americas and Europe decreased, despite a sharp increase in sales of pigments for cosmetics and firm shipments of other pigments, as a consequence of foreign currency fluctuations. Sales of TFT LCs recovered and were essentially level with the first half of the previous fiscal year. This was attributable to substantially higher shipments from a new production facility in the PRC and the start of full-scale shipments from Japan, which had been delayed. While these results boosted results in local currency terms, segment sales were down after translation, owing to foreign currency fluctuations.

Segment operating income advanced, reflecting an improved product mix and other factors.

Polymers

Net sales	¥89.7 billion	Change	-8.4%	[-4.9%]
Operating income	¥9.4 billion	Change	33.1%	[40.1%]

Despite firm demand overall, sales in Japan declined as a consequence of sales price reductions for polystyrene and other products. Sales overseas were also down, hindered by factors such as falling sales prices and foreign currency fluctuations, although demand was firm, underscored by a modest recovery in sales to customers in the electrical and electronics industries. For these and other reasons, segment sales decreased.

Cost reductions, among others, sparked a sharp increase in segment operating income.

Compounds

Net sales	¥30.8 billion	Change	-2.4%	[3.1%]
Operating income	¥2.8 billion	Change	16.1%	[20.4%]

Sales of polyphenylene sulfide (PPS) compounds advanced, as shipments were healthy both in Japan and overseas. Sales of jet inks declined, despite firm shipments both in Japan and overseas, a consequence of foreign currency fluctuations and other factors. While these results supported an increase in local currency terms, segment sales were essentially level after translation, owing to foreign currency fluctuations.

Segment operating income rose substantially, reflecting an improved product mix and other factors.

Application Materials

Net sales	¥26.7 billion	Change	-8.0%	[-6.3%]
Operating income	¥0.9 billion	Change	-21.1%	[-20.4%]

Robust shipments sustained an increase in sales of hollow-fiber membrane modules and health foods. Nonetheless, segment sales declined, as sluggish demand for products used in smartphones hampered sales of industrial adhesive tapes.

Segment operating income fell, with contributing factors including the aforementioned sales results.

(3) Operating Results Forecasts for the Fiscal Year Ending December 31, 2016

(Billions of yen)

	FY2015	FY2016 (Forecasts)	Change (%)	Change (%) excluding the impact of foreign currency fluctuations
Net sales	¥820.0	¥780.0 [800.0]	-4.9%	2.0%
Operating income	51.1	54.0 [54.0]	5.7%	14.5%
Ordinary income	49.0	52.0 [50.0]	6.1%	—
Net income attributable to owners of the parent	37.4	30.0 [25.0]	-19.8%	—

Note: Forecasts in squared parentheses are those published on May 13, 2016.

Reasons for Revision of Operating Results Forecasts

The Company now expects the impact of steady yen appreciation on consolidated net sales to be greater than previously anticipated. However, in light of results in the six months ended June 30, 2016, both ordinary income and net income attributable to owners of the parent are now likely to exceed previous estimates. Accordingly, the Company has revised its full-term operating results forecasts, as shown in the table above.

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, 2015	As of June 30, 2016
(Assets)		
Current assets		
Cash and deposits	15,363	42,268
Notes and accounts receivable-trade	221,006	197,313
Merchandise and finished goods	87,947	79,261
Work in process	9,369	9,475
Raw materials and supplies	52,245	48,466
Other	33,382	32,292
Allowance for doubtful accounts	(10,654)	(9,897)
Total current assets	408,658	399,178
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	95,879	87,181
Machinery, equipment and vehicles, net	70,226	61,844
Tools, furniture and fixtures, net	9,605	8,917
Land	50,775	49,083
Construction in progress	6,660	7,523
Total property, plant and equipment	233,145	214,548
Intangible assets		
Goodwill	906	650
Software	6,470	5,505
Other	3,880	2,999
Total intangible assets	11,256	9,154
Investments and other assets		
Investment securities	37,075	33,806
Net defined benefit asset	24,885	26,866
Other	64,235	57,413
Allowance for doubtful accounts	(397)	(1,477)
Total investments and other assets	125,798	116,608
Total non-current assets	370,199	340,310
Total assets	778,857	739,488

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2015	As of June 30, 2016
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	95,569	91,647
Short-term loans payable	82,262	83,128
Commercial papers	4,000	17,000
Current portion of bonds	8,000	5,000
Income taxes payable	8,347	5,897
Provision for bonuses	6,914	6,694
Other	66,188	57,037
Total current liabilities	271,280	266,403
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	139,900	139,988
Net defined benefit liability	32,833	26,443
Asset retirement obligations	1,213	1,137
Other	23,774	18,163
Total non-current liabilities	217,720	205,731
Total liabilities	489,000	472,134
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,161	94,094
Retained earnings	137,071	145,536
Treasury shares	(5,911)	(1,197)
Total shareholders' equity	321,878	334,990
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,688	2,301
Deferred gains or losses on hedges	(73)	72
Foreign currency translation adjustment	(29,925)	(71,835)
Remeasurements of defined benefit plans	(33,101)	(24,948)
Total accumulated other comprehensive income	(59,411)	(94,410)
Non-controlling interests	27,390	26,774
Total net assets	289,857	267,354
Total liabilities and net assets	778,857	739,488

Consolidated Quarterly Statement of Income

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Net sales	409,620	377,695
Cost of sales	320,280	287,270
Gross profit	89,340	90,425
Selling, general and administrative expenses		
Employees' salaries and allowances	22,627	21,116
Provision of allowance for doubtful accounts	505	1,567
Provision for bonuses	2,388	2,404
Retirement benefit expenses	948	904
Other	40,302	38,362
Total selling, general and administrative expenses	66,770	64,353
Operating income	22,570	26,072
Non-operating income		
Interest income	582	242
Dividends income	199	244
Foreign exchange gains	73	—
Equity in earnings of affiliates	1,284	1,747
Other	1,084	1,189
Total non-operating income	3,222	3,422
Non-operating expenses		
Interest expenses	2,897	1,737
Foreign exchange losses	—	0
Other	1,064	1,067
Total non-operating expenses	3,961	2,804
Ordinary income	21,831	26,690
Extraordinary income		
Gain on bargain purchase	—	78
Gain on sales of subsidiaries and affiliates securities	2,359	—
Compensation income	714	—
Gain on sales of non-current assets	609	—
Gain on sales of investment securities	524	—
State subsidy	255	—
Total extraordinary income	4,461	78
Extraordinary loss		
Loss on disposal of non-current assets	1,437	2,853
Severance costs	2,567	649
Provision of allowance for doubtful accounts	—	598
Loss on reduction of non-current assets	168	—
Total extraordinary loss	4,172	4,100
Income before income taxes and non-controlling interests	22,120	22,668
Income taxes	5,784	4,377
Net income	16,336	18,291
Net income attributable to non-controlling interests	1,051	1,322
Net income attributable to owners of the parent	15,285	16,969

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Net income	16,336	18,291
Other comprehensive income		
Valuation difference on available-for-sale securities	981	(1,407)
Deferred gains or losses on hedges	187	144
Foreign currency translation adjustment	(811)	(40,870)
Remeasurements of defined benefit plans, net of tax	767	8,178
Share of other comprehensive income of associates accounted for using equity method	(61)	(2,122)
Total other comprehensive income	1,063	(36,077)
Comprehensive income	17,399	(17,786)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	16,415	(18,030)
Comprehensive income attributable to non-controlling interests	984	244

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	22,120	22,668
Depreciation and amortization	16,267	16,930
Amortization of goodwill	280	203
Increase (decrease) in allowance for doubtful accounts	(112)	2,069
Increase (decrease) in provision for bonuses	140	(197)
Interest and dividends income	(781)	(486)
Equity in (earnings) losses of affiliates	(1,284)	(1,747)
Interest expenses	2,897	1,737
Loss (gain) on sales and retirement of noncurrent assets	828	2,853
Loss (gain) on sales of subsidiaries and affiliates securities	(2,359)	—
Loss (gain) on sales of investment securities	(524)	—
State subsidy	(255)	—
Decrease (increase) in notes and accounts receivable-trade	(14,727)	7,557
Decrease (increase) in inventories	(1,016)	(1,750)
Increase (decrease) in notes and accounts payable-trade	(6,006)	94
Other, net	(6,724)	(9,234)
Subtotal	8,744	40,697
Interest and dividends income received	1,554	1,350
Interest expenses paid	(3,015)	(1,860)
Income taxes paid	(4,600)	(9,785)
Net cash provided by (used in) operating activities	2,683	30,402
Net cash provided by (used in) investing activities		
Payments into time deposits	(3,188)	(5,878)
Proceeds from withdrawal of time deposits	1,106	977
Purchase of property, plant and equipment	(15,177)	(13,450)
Proceeds from sales of property, plant and equipment	725	53
Purchase of intangible assets	(481)	(500)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(732)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	2,100	—
Purchase of subsidiaries and affiliates securities	(47)	—
Proceeds from sales of subsidiaries and affiliates securities	5,496	—
Purchase of investment securities	(19)	(29)
Proceeds from sales and redemption of investment securities	612	—
Proceeds from subsidy income	209	—
Other, net	1,228	(179)
Net cash provided by (used in) investing activities	(8,168)	(19,006)

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,827)	14,528
Increase (decrease) in commercial papers	14,382	13,000
Proceeds from long-term loans payable	41,058	24,197
Repayment of long-term loans payable	(38,673)	(28,612)
Proceeds :]	10,000	—
Redemption of bonds	(10,000)	(3,000)
Cash dividends paid	(2,886)	(3,792)
Cash dividends paid to non-controlling interests	(681)	(666)
Net decrease (increase) in treasury shares	(8)	(3)
Other, net	(269)	(808)
Net cash provided by (used in) financing activities	10,096	14,844
Effect of exchange rate change on cash and cash equivalents	2,517	(3,838)
Net increase (decrease) in cash and cash equivalents	7,128	22,402
Cash and cash equivalents at beginning of period	16,393	15,113
Cash and cash equivalents at end of period	23,521	37,515