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Consolidated Financial Results for the Six Months Ended June 30, 2018 (Japan GAAP)
(The fiscal year ending December 31, 2018)

August 9, 2018
Stock Exchange: Tokyo
Head Office: Tokyo
Tel: +81 (3) 6733-3000

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: Hiroshi Nagai, General Manager, Accounting Department
Preparation of Supplemental Explanatory Materials: Yes
Holding of Quarterly Financial Results Meeting: Yes (for security analysts and institutional investors, etc.)

Scheduled Filing Date of Securities Report: August 9, 2018
Dividend Payment : September 3, 2018

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2018 (January 1, 2018 – June 30, 2018)

(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, 2018	398,788	4.2	24,318	-6.6	24,473	-6.1	14,905	-14.5
Six months ended June 30, 2017	382,740	1.3	26,038	-0.1	26,069	-2.3	17,440	2.8

Note: Comprehensive income (JPY million): Six months ended June 30, 2018 481 (-97.1%),
Six months ended June 30, 2017 16,406 (—%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Six months ended June 30, 2018	157.48	—
Six months ended June 30, 2017	184.01	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of June 30, 2018	903,148	337,799	34.3
As of December 31, 2017	831,756	343,951	37.9

Note: Shareholders' equity (JPY million): As of June 30, 2018 309,370 As of December 31, 2017 315,129

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
FY2017	—	60.00	—	60.00	120.00
FY2018	—	60.00			
FY2018 (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, 2018 (January 1, 2018 – December 31, 2018)

(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
FY2018	830,000	5.1	58,000	2.7	58,000	1.8	40,000	3.6	422.63

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2018: Yes

For details, please refer to "Analysis of Results of Operations (3) Operating Results Forecasts for Fiscal Year 2018."

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Notes

(1) Changes in the scope of consolidation for significant subsidiaries during the six months ended June 30, 2018: 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, 2018 95,156,904 shares, As of December 31, 2017 95,156,904 shares
2) Number of treasury shares at the end of the period
As of June 30, 2018 509,721 shares, As of December 31, 2017 512,293 shares
3) Average number of shares issued during the period, excluding treasury shares
For the six months ended June 30, 2018 94,646,847 shares, For the six months ended June 30, 2017 94,777,659 shares

* From the second quarter in 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.

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Analysis of Results of Operations

(1) Overview of Operating Results

Economic conditions worldwide recovered gradually in the six months ended June 30, 2018. Moderate recovery persisted in the economies of North America and Europe. The shift toward revival continued in Asia. Japan's economy also rallied steadily.

In this environment, consolidated net sales advanced 4.2%, to ¥398.8 billion, reflecting multiple factors, including the revision of sales prices and firm shipments.

Operating income declined 6.6%, to ¥24.3 billion, hampered by rising raw materials prices and higher distribution costs, among others. While the impact of rising raw materials prices remained acute, a certain degree of progress in efforts to revise sales prices was evident.

Ordinary income decreased 6.1%, to ¥24.5 billion, with contributing factors including lower operating income.

Net income attributable to owners of the parent was down 14.5%, to ¥14.9 billion. Reasons behind this result included the decrease in ordinary income.

(Billions of yen)

	Six months ended June 30, 2017	**Six months ended June 30, 2018**	Change (%)	Change (%) 〔Local currency basis〕
Net sales	382.7	**398.8**	4.2%	3.5%
Operating income	26.0	**24.3**	-6.6%	-7.9%
Ordinary income	26.1	**24.5**	-6.1%	—
Net income attributable to owners of the parent	17.4	**14.9**	-14.5%	—
¥/US$1.00 (Average rate)	112.66	**109.04**		
¥/EUR1.00 (Average rate)	122.08	**131.98**		

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(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Six months ended June 30, 2017	**Six months ended June 30, 2018**	Change (%)	Change (%) (Local currency basis)	Six months ended June 30, 2017	**Six months ended June 30, 2018**	Change (%)	Change (%) (Local currency basis)
Printing Inks	181.5	**188.0**	3.6%	3.3%	7.8	**6.5**	-17.2%	-16.4%
Fine Chemicals	67.5	**67.3**	-0.2%	-0.5%	8.5	**9.0**	6.6%	3.9%
Polymers	95.2	**100.8**	5.9%	5.0%	9.0	**8.2**	-8.6%	-9.5%
Compounds	31.1	**32.1**	3.3%	2.1%	2.1	**1.7**	-19.4%	-21.4%
Application Materials	26.7	**27.8**	4.2%	3.7%	1.1	**1.5**	32.5%	31.6%
Others, Corporate and eliminations	(19.3)	**(17.2)**	—	—	(2.5)	**(2.6)**	—	—
Total	382.7	**398.8**	4.2%	3.5%	26.0	**24.3**	-6.6%	-7.9%

Segment results in key markets are as follows. Year-on-year percentage changes in squared parentheses represent increases or decreases on a local currency basis. 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.

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Printing Inks

Japan

Net sales	¥36.5 billion	Change	-3.6%
Operating income	¥0.9 billion	Change	-55.3%

Sales in Japan declined, a consequence of diminished demand for publishing inks, among others.

Operating income fell sharply, owing to the aforementioned sales results, as well as to rising raw materials prices, higher distribution costs and other factors.

The Americas and Europe

Net sales	¥123.1 billion	Change	5.2%	[4.5%]
Operating income	¥4.3 billion	Change	5.7%	[4.7%]

Although sales of packaging inks rose, sales in North America were level, owing to waning demand for publishing inks and news inks. In Europe, sales increased, boosted by brisk shipments of packaging inks. Sales in Central and South America were up, buoyed by robust shipments of packaging inks and news inks. As a result, sales in the Americas and Europe advanced, underpinned by an increase in overall sales of packaging inks, among others.

Operating income rose, with contributing factors including the aforementioned sales results and expanded sales of security inks.

Asia and Oceania

Net sales	¥32.7 billion	Change	5.7%	[6.0%]
Operating income	¥1.3 billion	Change	-29.3%	[-29.1%]

Higher shipments of packaging inks and publishing inks bolstered sales in the People's Republic of China (PRC) and Southeast Asia. Sales in Oceania fell, with causes including fading demand for publishing inks and news inks. Sales in India increased in all product categories. For these reasons, overall sales in Asia and Oceania advanced.

Operating income decreased significantly, regardless of the aforementioned sales results, a consequence of rising raw materials prices and other factors.

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Fine Chemicals

Net sales	¥67.3 billion	Change	-0.2%	[-0.5%]
Operating income	¥9.0 billion	Change	6.6%	[3.9%]

Sales of pigments were down, despite an increase in shipments of pigments for color filters and effect pigments, among others. Reasons behind this result included a temporary lull in shipments of pigments for cosmetics and flagging demand for other pigments. Notwithstanding expanded shipments to existing customers, sales of TFT LCs declined, with reasons including falling sales prices. As a consequence, segment sales edged down.

Despite the aforementioned sales results, segment operating income rose, thanks to an improved product mix and other factors.

Polymers

Net sales	¥100.8 billion	Change	5.9%	[5.0%]
Operating income	¥8.2 billion	Change	-8.6%	[-9.5%]

Sales of epoxy resins and other products for electronic and electrical equipment advanced both in Japan and overseas. For these and other reasons, segment sales increased.

Segment operating income declined, regardless of the aforementioned sales results. Factors behind this result included rising raw materials prices.

Compounds

Net sales	¥32.1 billion	Change	3.3%	[2.1%]
Operating income	¥1.7 billion	Change	-19.4%	[-21.4%]

Shipments of polyphenylene sulfide (PPS) compounds and jet inks expanded steadily. Owing to this and other factors, segment sales were up.

Despite the aforementioned sales results, segment operating income fell sharply, a consequence of rising raw materials prices used in certain products, among others.

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Application Materials

Net sales	¥27.8 billion	Change	4.2%	[3.7%]
Operating income	¥1.5 billion	Change	32.5%	[31.6%]

Segment sales increased, reflecting higher shipments of industrial adhesive tapes and hollow-fiber membrane modules, among others.

Segment operating income rose substantially. Reasons behind this result included the aforementioned sales results.

(3) Operating Results Forecasts for Fiscal Year 2018

The Company has revised its operating results forecasts for fiscal year 2018, published on May 15, 2018, as shown in the table below.

(Billions of yen)

	FY2017	**FY2018**	Change (%)	Change (%) 〔Local currency basis〕
Net sales	789.4	**830.0** **[820.0]**	5.1%	4.9%
Operating income	56.5	**58.0** **[58.0]**	2.7%	2.0%
Ordinary income	57.0	**58.0** **[58.0]**	1.8%	—
Net income attributable to owners of the parent	38.6	**40.0** **[40.0]**	3.6%	—

Note: Forecasts in squared parentheses are those published on May 15, 2018.

Reasons for Revision of Operating Results Forecasts

In light of persistently firm shipments in the six months ended June 30, 2018, the Company has revised its forecast for net sales in fiscal year 2018.

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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 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.

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Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
(Assets)		
Current assets		
Cash and deposits	17,883	85,121
Notes and accounts receivable-trade	226,968	226,688
Merchandise and finished goods	90,010	93,928
Work in process	9,053	9,872
Raw materials and supplies	58,911	62,655
Other	32,914	34,187
Allowance for doubtful accounts	(10,763)	(9,838)
Total current assets	424,976	502,613
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	92,443	89,383
Machinery, equipment and vehicles, net	70,554	69,171
Tools, furniture and fixtures, net	11,129	11,038
Land	50,307	49,239
Construction in progress	7,244	7,139
Total property, plant and equipment	231,677	225,970
Intangible assets		
Goodwill	199	99
Software	3,837	3,107
Customer-related assets	874	3,899
Other	2,674	3,874
Total intangible assets	7,584	10,979
Investments and other assets		
Investment securities	76,867	72,431
Net defined benefit asset	33,408	35,933
Other	58,729	55,467
Allowance for doubtful accounts	(1,485)	(245)
Total investments and other assets	167,519	163,586
Total non-current assets	406,780	400,535
Total assets	831,756	903,148

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Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
（Liabilities）		
Current liabilities		
Notes and accounts payable-trade	117,199	120,803
Short-term loans payable	89,062	103,333
Commercial papers	—	60,500
Income taxes payable	4,793	4,754
Provision for bonuses	7,071	6,622
Other	48,465	46,347
Total current liabilities	266,590	342,359
Non-current liabilities		
Bonds payable	50,000	60,000
Long-term loans payable	122,017	116,537
Net defined benefit liability	22,774	19,756
Asset retirement obligations	1,329	1,328
Other	25,095	25,369
Total non-current liabilities	221,215	222,990
Total liabilities	487,805	565,349
（Net assets）		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,445	94,445
Retained earnings	186,768	195,985
Treasury shares	(1,828)	(1,818)
Total shareholders' equity	375,942	385,169
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,874	5,574
Deferred gains or losses on hedges	(3)	2
Foreign currency translation adjustment	(46,462)	(60,556)
Remeasurements of defined benefit plans	(22,222)	(20,819)
Total accumulated other comprehensive income	(60,813)	(75,799)
Non-controlling interests	28,822	28,429
Total net assets	343,951	337,799
Total liabilities and net assets	831,756	903,148

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Consolidated Quarterly Statement of Income

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net sales	382,740	398,788
Cost of sales	293,592	309,913
Gross profit	89,148	88,875
Selling, general and administrative expenses		
Employees' salaries and allowances	20,951	21,913
Provision of allowance for doubtful accounts	123	(1)
Provision for bonuses	2,567	2,363
Retirement benefit expenses	423	61
Other	39,046	40,221
Total selling, general and administrative expenses	63,110	64,557
Operating income	26,038	24,318
Non-operating income		
Interest income	738	1,687
Dividends income	288	283
Equity in earnings of affiliates	1,986	1,851
Other	984	907
Total non-operating income	3,996	4,728
Non-operating expenses		
Interest expenses	1,616	2,275
Foreign exchange losses	868	318
Other	1,481	1,980
Total non-operating expenses	3,965	4,573
Ordinary income	26,069	24,473
Extraordinary income		
Gain on sales of non-current assets	—	416
Gain on sales of investment securities	—	365
Gain on change in equity	251	—
Total extraordinary income	251	781
Extraordinary loss		
Severance costs	350	1,171
Loss on disposal of non-current assets	1,328	1,118
Loss on disaster	—	373
Total extraordinary loss	1,678	2,662
Income before income taxes and non-controlling interests	24,642	22,592
Income taxes	5,946	6,760
Net income	18,696	15,832
Net income attributable to non-controlling interests	1,256	927
Net income attributable to owners of the parent	17,440	14,905

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Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net income	18,696	15,832
Other comprehensive income		
Valuation difference on available-for-sale securities	1,341	(2,325)
Deferred gains or losses on hedges	170	5
Foreign currency translation adjustment	(4,657)	(13,223)
Remeasurements of defined benefit plans, net of tax	718	1,413
Share of other comprehensive income of associates accounted for using equity method	138	(1,221)
Total other comprehensive income	(2,290)	(15,351)
Comprehensive income	16,406	481
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	15,049	(81)
Comprehensive income attributable to non-controlling interests	1,357	562

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Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	24,642	22,592
Depreciation and amortization	15,501	16,399
Amortization of goodwill	162	95
Increase (decrease) in allowance for doubtful accounts	134	(403)
Increase (decrease) in provision for bonuses	38	(444)
Interest and dividends income	(1,026)	(1,970)
Equity in (earnings) losses of affiliates	(1,986)	(1,851)
Interest expenses	1,616	2,275
Loss (gain) on sales and retirement of non-current assets	1,328	702
Loss (gain) on sales of investment securities	―	(365)
Decrease (increase) in notes and accounts receivable-trade	3,834	(5,964)
Decrease (increase) in inventories	(8,119)	(12,953)
Increase (decrease) in notes and accounts payable-trade	6,060	5,267
Other, net	(8,537)	(8,920)
Subtotal	33,647	14,460
Interest and dividends income received	2,134	3,327
Interest expenses paid	(1,708)	(2,192)
Income taxes paid	(5,667)	(6,582)
Net cash provided by (used in) operating activities	28,406	9,013
Net cash provided by (used in) investing activities		
Payments into time deposits	(8,048)	(2,447)
Proceeds from withdrawal of time deposits	3,558	1,771
Purchase of property, plant and equipment	(15,936)	(13,623)
Proceeds from sales of property, plant and equipment	552	1,294
Purchase of intangible assets	(740)	(734)
Purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	―	(4,469)
Purchase of subsidiaries and affiliates securities	(25,592)	(83)
Proceeds from sales of subsidiaries and affiliates securities	―	679
Purchase of investment securities	(19)	(228)
Proceeds from sales and redemption of investment securities	456	942
Payments for transfer of business	(339)	(580)
Other, net	(36)	65
Net cash provided by (used in) investing activities	(46,144)	(17,413)

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Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(24,264)	(12,547)
Increase (decrease) in commercial papers	56,000	60,500
Proceeds from long-term loans payable	30,250	34,706
Repayment of long-term loans payable	(16,942)	(11,200)
Proceeds from issuance of bonds	10,000	10,000
Cash dividends paid	(5,688)	(5,688)
Cash dividends paid to non-controlling interests	(866)	(953)
Net decrease (increase) in treasury shares	(607)	10
Purchase of shares and investments in capital of subsidiaries that does not result in change in scope of consolidation	(308)	―
Other, net	(382)	(412)
Net cash provided by (used in) financing activities	47,193	74,416
Effect of exchange rate change on cash and cash equivalents	(3,937)	568
Net increase (decrease) in cash and cash equivalents	25,518	66,584
Cash and cash equivalents at beginning of the period	16,671	17,651
Cash and cash equivalents at end of the period	42,189	84,235