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

November 14, 2018
Stock Exchange: Tokyo
Head Office: Tokyo
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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: No

Scheduled Filing Date of Securities Report: November 14, 2018

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2018 (January 1, 2018 – September 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)	%
Nine months ended September 30, 2018	600,748	3.0	36,412	-10.2	36,441	-10.4	22,442	-36.1
Nine months ended September 30, 2017	583,310	4.3	40,555	0.5	40,676	-2.5	35,119	38.9

Note: Comprehensive income (JPY million): Nine months ended September 30, 2018 8,166 (-78.8%)
Nine months ended September 30, 2017 38,580 (—%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Nine months ended September 30, 2018	237.11	—
Nine months ended September 30, 2017	370.70	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of September 30, 2018	915,987	339,352	34.0
As of December 31, 2017	831,756	343,951	37.9

Note: Shareholders' equity (JPY million): As of September 30, 2018 310,992 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	820,000	3.9	51,000	-9.7	51,000	-10.5	35,000	-9.3	369.80

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 nine months ended September 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 September 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 September 30, 2018 510,346 shares, As of December 31, 2017 512,293 shares
3) Average number of shares issued during the period, excluding treasury shares
For the nine months ended September 30, 2018 94,646,824 shares, For the nine months ended September 30, 2017 94,738,202 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 nine months ended September 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 increased 3.0%, to ¥600.7 billion, reflecting multiple factors, including the revision of sales prices and firm shipments.

Operating income declined 10.2%, to ¥36.4 billion, hampered by rising raw materials prices and higher distribution costs, among others. Operating income was also constrained significantly by such factors as environmental regulations in the People's Republic of China (PRC), natural disasters in Japan and the United States and by foreign exchange losses attributable to the depreciation of currencies in European emerging economies.

Ordinary income was down 10.4%, to ¥36.4 billion, with causes including lower operating income.

Net income attributable to owners of the parent fell 36.1%, to ¥22.4 billion. Reasons behind this result included the decrease in ordinary income and the absence of a one-time decline in tax expenses, which bolstered net income attributable to owners of the parent in the corresponding period of the previous fiscal year.

(Billions of yen)

	Nine months ended September 30, 2017	**Nine months ended September 30, 2018**	Change (%)	Change (%) 〔Local currency basis〕
Net sales	583.3	**600.7**	3.0%	3.4%
Operating income	40.6	**36.4**	-10.2%	-8.8%
Ordinary income	40.7	**36.4**	-10.4%	—
Net income attributable to owners of the parent	35.1	**22.4**	-36.1%	—
¥/US$1.00 (Average rate)	112.23	**109.90**		
¥/EUR1.00 (Average rate)	125.09	**131.26**		

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(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Nine months ended September 30, 2017	**Nine months ended September 30, 2018**	Change (%)	Change (%) (Local currency basis)	Nine months ended September 30, 2017	**Nine months ended September 30, 2018**	Change (%)	Change (%) (Local currency basis)
Printing Inks	275.9	**283.8**	2.9%	4.4%	12.1	**10.4**	-14.0%	-6.8%
Fine Chemicals	102.1	**99.2**	-2.9%	-2.9%	13.1	**12.5**	-4.5%	-5.8%
Polymers	145.4	**152.1**	4.6%	4.1%	13.8	**12.3**	-10.9%	-11.4%
Compounds	47.9	**48.5**	1.4%	0.7%	3.5	**2.6**	-25.4%	-26.8%
Application Materials	40.8	**42.8**	4.9%	4.5%	1.8	**2.5**	38.6%	37.8%
Others, Corporate and eliminations	(28.8)	**(25.7)**	—	—	(3.7)	**(3.9)**	—	—
Total	583.3	**600.7**	3.0%	3.4%	40.6	**36.4**	-10.2%	-8.8%

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	¥54.8 billion	Change	-4.0%
Operating income	¥1.1 billion	Change	-60.9%

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	¥185.6 billion	Change	4.3%	[6.3%]
Operating income	¥7.0 billion	Change	10.5%	[21.7%]

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 increased, with contributing factors including the aforementioned sales results and expanded sales of security inks.

Asia and Oceania

Net sales	¥50.0 billion	Change	4.5%	[6.2%]
Operating income	¥2.3 billion	Change	-22.1%	[-21.4%]

Higher shipments of packaging inks and publishing inks bolstered sales in the 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	¥99.2 billion	Change	-2.9%	[-2.9%]
Operating income	¥12.5 billion	Change	-4.5%	[-5.8%]

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, sales of TFT LCs declined, with reasons including falling sales prices. As a consequence, segment sales edged down.

Owing to the aforementioned sales results, as well as to the impact of environmental regulations in the PRC, segment operating income decreased.

Polymers

Net sales	¥152.1 billion	Change	4.6%	[4.1%]
Operating income	¥12.3 billion	Change	-10.9%	[-11.4%]

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	¥48.5 billion	Change	1.4%	[0.7%]
Operating income	¥2.6 billion	Change	-25.4%	[-26.8%]

Shipments of polyphenylene sulfide (PPS) compounds and jet inks expanded steadily. Nonetheless, segment sales were up only slightly, owing to the scaling back of low-margin businesses and other factors.

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

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Application Materials

Net sales	¥42.8 billion	Change	4.9%	[4.5%]
Operating income	¥2.5 billion	Change	38.6%	[37.8%]

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 August 9, 2018, as shown in the table below.

(Billions of yen)

	FY2017	**FY2018**	Change (%)	Change (%) 〔Local currency basis〕
Net sales	789.4	**820.0** **[830.0]**	3.9%	4.6%
Operating income	56.5	**51.0** **[58.0]**	-9.7%	-7.4%
Ordinary income	57.0	**51.0** **[58.0]**	-10.5%	—
Net income attributable to owners of the parent	38.6	**35.0** **[40.0]**	-9.3%	—

Note: Forecasts in squared parentheses are those published on August 9, 2018.

Reasons for Revision of Operating Results Forecasts

In light of operating results in the nine months ended September 30, 2018, and its outlook for the last three months of fiscal year 2018, the Company has revised its operating results forecasts for the full term. Rising raw materials prices and the depreciation of currencies in European emerging economies are expected to continue negatively affecting the Company's performance through the final quarter.

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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 September 30, 2018
(Assets)		
Current assets		
Cash and deposits	17,883	80,444
Notes and accounts receivable-trade	226,968	228,150
Merchandise and finished goods	90,010	97,206
Work in process	9,053	10,244
Raw materials and supplies	58,911	65,250
Other	32,914	33,158
Allowance for doubtful accounts	(10,763)	(9,965)
Total current assets	424,976	504,487
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	92,443	89,865
Machinery, equipment and vehicles, net	70,554	71,770
Tools, furniture and fixtures, net	11,129	10,998
Land	50,307	49,450
Construction in progress	7,244	7,448
Total property, plant and equipment	231,677	229,531
Intangible assets		
Goodwill	199	51
Software	3,837	2,893
Customer-related assets	874	3,752
Other	2,674	8,728
Total intangible assets	7,584	15,424
Investments and other assets		
Investment securities	76,867	73,720
Net defined benefit asset	33,408	36,976
Other	58,729	56,122
Allowance for doubtful accounts	(1,485)	(273)
Total investments and other assets	167,519	166,545
Total non-current assets	406,780	411,500
Total assets	831,756	915,987

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Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2017	As of September 30, 2018
（Liabilities）		
Current liabilities		
Notes and accounts payable-trade	117,199	122,999
Short-term loans payable	89,062	99,079
Commercial papers	—	60,500
Income taxes payable	4,793	3,059
Provision for bonuses	7,071	6,225
Other	48,465	53,654
Total current liabilities	266,590	345,516
Non-current liabilities		
Bonds payable	50,000	60,000
Long-term loans payable	122,017	123,395
Net defined benefit liability	22,774	19,422
Asset retirement obligations	1,329	1,404
Other	25,095	26,898
Total non-current liabilities	221,215	231,119
Total liabilities	487,805	576,635
（Net assets）		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,445	94,445
Retained earnings	186,768	197,835
Treasury shares	(1,828)	(1,821)
Total shareholders' equity	375,942	387,016
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,874	5,759
Deferred gains or losses on hedges	(3)	(16)
Foreign currency translation adjustment	(46,462)	(60,632)
Remeasurements of defined benefit plans	(22,222)	(21,135)
Total accumulated other comprehensive income	(60,813)	(76,024)
Non-controlling interests	28,822	28,360
Total net assets	343,951	339,352
Total liabilities and net assets	831,756	915,987

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Consolidated Quarterly Statement of Income

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Net sales	583,310	600,748
Cost of sales	447,634	467,707
Gross profit	135,676	133,041
Selling, general and administrative expenses		
Employees' salaries and allowances	31,425	32,484
Provision of allowance for doubtful accounts	137	328
Provision for bonuses	3,727	3,383
Retirement benefit expenses	635	48
Other	59,197	60,386
Total selling, general and administrative expenses	95,121	96,629
Operating income	40,555	36,412
Non-operating income		
Interest income	1,205	2,870
Dividends income	380	381
Equity in earnings of affiliates	3,116	2,862
Other	1,313	1,215
Total non-operating income	6,014	7,328
Non-operating expenses		
Interest expenses	2,583	3,847
Foreign exchange losses	1,146	849
Other	2,164	2,603
Total non-operating expenses	5,893	7,299
Ordinary income	40,676	36,441
Extraordinary income		
Gain on sales of non-current assets	—	411
Gain on sales of investment securities	—	373
Insurance income	—	133
Gain on change in equity	544	—
Total extraordinary income	544	917
Extraordinary loss		
Loss on disposal of non-current assets	1,985	1,691
Severance costs	456	1,189
Loss on disaster	—	405
Early termination fee	376	—
Total extraordinary loss	2,817	3,285
Income before income taxes and non-controlling interests	38,403	34,073
Income taxes	1,472	10,342
Net income	36,931	23,731
Net income attributable to non-controlling interests	1,812	1,289
Net income attributable to owners of the parent	35,119	22,442

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Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Net income	36,931	23,731
Other comprehensive income		
Valuation difference on available-for-sale securities	1,692	(2,166)
Deferred gains or losses on hedges	172	(14)
Foreign currency translation adjustment	(812)	(13,822)
Remeasurements of defined benefit plans, net of tax	228	1,113
Share of other comprehensive income of associates accounted for using equity method	369	(676)
Total other comprehensive income	1,649	(15,565)
Comprehensive income	38,580	8,166
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	36,572	7,231
Comprehensive income attributable to non-controlling interests	2,008	935