



Consolidated Financial Results for the Year Ended December 31, 2019 (Japan GAAP)
(The fiscal year ended December 31, 2019)

February 14, 2020
 Stock Exchange: Tokyo
 Head Office: Tokyo
 Tel: +81 (3) 6733-3000

Company Name: DIC Corporation

Listing Code Number: 4631

URL: <https://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 Annual Financial Results Meeting: Yes (for security analysts and institutional investors, etc.)

Annual Meeting of Shareholders : March 26, 2020

Dividend Payment : March 27, 2020

Scheduled Filing Date of Securities Report : March 27, 2020

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

1. Consolidated Financial Results for Fiscal Year 2019 (January 1, 2019 – December 31, 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) | % |
| FY2019 | 768,568 | -4.6 | 41,332 | -14.6 | 41,302 | -15.2 | 23,500 | -26.6 |
| FY2018 | 805,498 | 2.0 | 48,385 | -14.3 | 48,702 | -14.5 | 32,028 | -17.0 |

Note: Comprehensive income (JPY million): FY2019 28,473 (–%), FY2018 -3,844 (–%)

| | Earnings per share basic | Earnings per share diluted | ROE (Return on equity) | Ordinary income ratio to total assets | Operating income ratio to net sales |
|--------|--------------------------|----------------------------|------------------------|---------------------------------------|-------------------------------------|
| | JPY | JPY | % | % | % |
| FY2019 | 248.29 | — | 7.7 | 5.1 | 5.4 |
| FY2018 | 338.40 | — | 10.4 | 5.9 | 6.0 |

Note: Equity in earnings of affiliates (JPY million): FY2019 2,475, FY2018 3,845

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio to total assets | Shareholders' equity per share |
|--------|---------------|---------------|--|--------------------------------|
| | JPY (million) | JPY (million) | % | JPY |
| FY2019 | 803,083 | 343,497 | 38.9 | 3,304.34 |
| FY2018 | 801,296 | 327,334 | 37.3 | 3,158.05 |

Reference: Shareholders' equity (JPY million): FY2019 312,740, FY2018 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.

(3) Consolidated cash flows

| | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at the end of the period |
|--------|---|---|---|--|
| | JPY (million) | JPY (million) | JPY (million) | JPY (million) |
| FY2019 | 50,637 | -24,884 | -26,799 | 16,690 |
| FY2018 | 50,990 | -38,388 | -11,781 | 18,631 |

2. Cash Dividends

| (Record date) | Cash dividends per share | | | | | Dividends in total (Annual) | Dividend payout ratio (consolidated) | Dividend on equity (consolidated) |
|---------------|--------------------------|--------------------|--------------------|----------|--------|-----------------------------|--------------------------------------|-----------------------------------|
| | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | Year-end | Annual | | | |
| | JPY | JPY | JPY | JPY | JPY | JPY (million) | % | % |
| FY2018 | — | 60.00 | — | 65.00 | 125.00 | 11,849 | 36.9 | 3.9 |
| FY2019 | — | 60.00 | — | 40.00 | 100.00 | 9,479 | 40.3 | 3.1 |
| FY2020 (Plan) | — | 55.00 | — | 55.00 | 110.00 | | 44.3 | |

3. Forecasts for Consolidated Operating Results for the Fiscal Year Ending December 31, 2020 (January 1, 2020 – December 31, 2020)

(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 |
| First half of FY2020 | 395,000 | 2.6 | 20,000 | 8.7 | 19,000 | 0.0 | 10,000 | -23.8 | 105.66 |
| FY2020 | 810,000 | 5.4 | 45,000 | 8.9 | 44,000 | 6.5 | 23,500 | — | 248.30 |

Notes

(1) Changes in the scope of consolidation for significant subsidiaries during the fiscal year ended December 31, 2019: No

(2) 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 |

(3) Number of shares issued (common stock)

- | | | | |
|---|--------------------|---------|-------------------|
| 1) Number of shares issued at the end of the period, including treasury shares | | | |
| FY 2019 | 95,156,904 shares, | FY 2018 | 95,156,904 shares |
| 2) Number of treasury shares at the end of the period | | | |
| FY 2019 | 511,622 shares, | FY 2018 | 511,035 shares |
| 3) Average number of shares issued during the period, excluding treasury shares | | | |
| FY 2019 | 94,646,331 shares, | FY 2018 | 94,646,645 shares |

* 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: **Presented consolidated financial results are not subject to annual audit 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)

| | FY2018 | FY2019 | Change (%) | Change (%) [Local currency basis] |
|---|--------|---------------|------------|--------------------------------------|
| Net sales | 805.5 | 768.6 | -4.6% | -1.3% |
| Operating income | 48.4 | 41.3 | -14.6% | -8.7% |
| Ordinary income | 48.7 | 41.3 | -15.2% | — |
| Net income attributable to owners of the parent | 32.0 | 23.5 | -26.6% | — |
| EBITDA* | 81.4 | 67.4 | -17.2% | — |
| ¥/US\$1.00 (Average rate) | 110.46 | 109.11 | -1.2% | — |
| ¥/EUR1.00 (Average rate) | 130.46 | 122.13 | -6.4% | — |

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

In fiscal year 2019, consolidated net sales slipped 4.6%, to ¥768.6 billion. On a local currency basis, however, the decrease was only 1.3%. 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.

Operating income was down 14.6%, to ¥41.3 billion, or 8.7% on a local currency basis. In addition to falling shipments, particularly of high-value-added products, these results reflected flagging sales prices for some products. A decline in results overseas after translation, a consequence of yen appreciation, also pushed operating income down. Thanks to the impact of raw materials price decreases and of cost reductions achieved through rationalization, the decline narrowed after bottoming out in the first quarter. Of particular note, operating income in the People's Republic of China (PRC) and Southeast Asia turned positive in the second quarter.

Ordinary income was down 15.2%, to ¥41.3 billion.

Net income attributable to owners of the parent fell 26.6%, to ¥23.5 billion. This reflected an extraordinary loss arising from efforts to improve business efficiency, as well as one-time disaster- and acquisition-related expenses.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined 17.2%, to ¥67.4 billion. Factors behind this included the drop in net income attributable to owners of the parent.

(2) Segment Results

(Billions of yen)

| | Net sales | | | | Operating income (loss) | | | |
|------------------------------------|-----------|---------------|--------------|--------------------------------------|-------------------------|--------------|------------|--------------------------------------|
| | FY2018 | FY2019 | Change (%) | Change (%) (Local currency basis) | FY2018 | FY2019 | Change (%) | Change (%) (Local currency basis) |
| Packaging & Graphic | 434.7 | 416.4 | -4.2% | 0.6% | 19.9 | 19.2 | -3.6% | 8.0% |
| Color & Display | 124.1 | 116.4 | -6.2% | -3.8% | 15.0 | 10.8 | -28.0% | -25.4% |
| Functional Products | 282.1 | 268.6 | -4.8% | -3.6% | 20.8 | 19.2 | -7.6% | -6.6% |
| Others, Corporate and eliminations | (35.4) | (32.8) | — | — | (7.3) | (7.9) | — | — |
| Total | 805.5 | 768.6 | -4.6% | -1.3% | 48.4 | 41.3 | -14.6% | -8.7% |

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 fiscal year 2018 have been restated.

For information on DIC111, please visit <https://www.dic-global.com/ja/ir/management/plan.html>.

Packaging & Graphic

| | FY2018 | FY2019 | Change (%) | Change (%) [Local currency basis] |
|------------------|----------------|-----------------------|------------|--------------------------------------|
| Net sales | ¥434.7 billion | ¥416.4 billion | -4.2% | 0.6% |
| Operating income | ¥19.9 billion | ¥19.2 billion | -3.6% | 8.0% |

Segment sales slipped 4.2%, to ¥416.4 billion. Although sales edged up 0.6% 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 raw materials price decreases 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.

Segment operating income slipped 3.6%, to ¥19.2 billion. On a local currency basis, operating income rose 8.0%, benefiting from the positive impact of an improved product mix and rationalization efforts, as well as from a decrease in raw materials prices, particularly in the PRC and Southeast Asia. As with segment sales, however, this translated into a decline on a yen basis.

Color & Display

| | FY2018 | FY2019 | Change (%) | Change (%) [Local currency basis] |
|------------------|----------------|-----------------------|------------|--------------------------------------|
| Net sales | ¥124.1 billion | ¥116.4 billion | -6.2% | -3.8% |
| Operating income | ¥15.0 billion | ¥10.8 billion | -28.0% | -25.4% |

Segment sales, at ¥116.4 billion, were down 6.2%. In the area of color materials, shipments of pigments for cosmetics and general-purpose pigments flagged, hampered by trade friction. In display materials, shipments of pigments for color filters were firm, although sales of thin-film transistor liquid crystals (TFT LCs) sank, hindered by sagging sales prices, a consequence of intensifying competition.

Segment operating income plunged 28.0%, to ¥10.8 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, as well as by increases in prices for pigments raw materials attributable to trade friction.

Functional Products

| | FY2018 | FY2019 | Change (%) | Change (%) [Local currency basis] |
|------------------|----------------|-----------------------|------------|--------------------------------------|
| Net sales | ¥282.1 billion | ¥268.6 billion | -4.8% | -3.6% |
| Operating income | ¥20.8 billion | ¥19.2 billion | -7.6% | -6.6% |

Segment sales decreased 4.8%, to ¥268.6 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 synthetic resins remained sluggish overall, despite bottoming out in the first quarter.

Segment operating income was down 7.6%, to ¥19.2 billion. Despite this decrease, which stemmed from dwindling shipments overall, the operating margin improved gradually, as shipments of epoxy resins and other high-value-added products picked up after bottoming out in the first quarter and raw materials prices decreased.

(3) Operating Results Forecasts for Fiscal Year 2020

(Billions of yen)

| | FY2019 | FY2020 | Change (%) | Change (%) [Local currency basis] |
|---|--------|--------|------------|--------------------------------------|
| Net sales | 768.6 | 810.0 | 5.4% | 6.3% |
| Operating income | 41.3 | 45.0 | 8.9% | 8.4% |
| Ordinary income | 41.3 | 44.0 | 6.5% | — |
| Net income attributable to owners of the parent | 23.5 | 23.5 | — % | — |
| EBITDA* | 67.4 | 72.9 | 8.2% | — |
| ¥/US\$1.00 (Average rate) | 109.11 | 108.00 | -1.0% | — |
| ¥/EUR1.00 (Average rate) | 122.13 | 120.96 | -1.0% | — |

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

While economic conditions in Japan and overseas are expected to continue recovering gradually in fiscal year 2020, risks associated with a variety of factors—including trade issues, the economic outlook in the PRC, the United Kingdom’s exit from the European Union, the situation in the Middle East and financial market fluctuations—continue to warrant caution.

In this environment, the DIC Group will step up the implementation of initiatives in line with the two key strategies of its DIC111 medium-term management plan, which focus on strengthening DIC’s corporate structure and creating new businesses. The Group expects that this, together with efforts to expand sales of packaging materials, functional pigments and sustainable resins and to reduce costs, will underpin increases in net sales and operating income in all segments.

During the period, DIC will continue working toward closing its acquisition of the Colors & Effects business of BASF SE, announced on August 29, 2019, by the end of December 2020, and ensuring the subsequent smooth transfer of the business to the DIC Group.

(4) Segment Results Forecasts

(Billions of yen)

| | Net sales | | | | Operating income (loss) | | | |
|------------------------------------|-----------|---------------|-------------|--------------------------------------|-------------------------|---------------|------------|--------------------------------------|
| | FY2019 | FY2020 | Change (%) | Change (%) (Local currency basis) | FY2019 | FY2020 | Change (%) | Change (%) (Local currency basis) |
| Packaging & Graphic | 416.4 | 437.7 | 5.1% | 5.9% | 19.2 | 19.7 | 2.7% | 1.1% |
| Color & Display | 116.4 | 121.1 | 4.0% | 5.3% | 10.8 | 13.1 | 21.2% | 20.4% |
| Functional Products | 268.6 | 279.4 | 4.0% | 5.0% | 19.2 | 21.4 | 11.4% | 12.6% |
| Others, Corporate and eliminations | (32.8) | (28.2) | — | — | (7.9) | (9.2) | — | — |
| Total | 768.6 | 810.0 | 5.4% | 6.3% | 41.3 | 45.0 | 8.9% | 8.4% |

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 Balance Sheet

(Millions of yen)

| | As of December 31, 2018 | As of December 31, 2019 |
|--|-------------------------|-------------------------|
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 19,782 | 16,786 |
| Notes and accounts receivable-trade | 209,763 | 211,232 |
| Merchandise and finished goods | 94,611 | 91,555 |
| Work in process | 9,403 | 9,566 |
| Raw materials and supplies | 61,937 | 58,610 |
| Other | 23,878 | 21,607 |
| Allowance for doubtful accounts | (9,722) | (9,437) |
| Total current assets | 409,652 | 399,919 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 259,417 | 262,087 |
| Accumulated depreciation | (170,525) | (173,547) |
| Buildings and structures, net | 88,892 | 88,540 |
| Machinery, equipment and vehicles | 403,877 | 408,064 |
| Accumulated depreciation | (332,926) | (337,197) |
| Machinery, equipment and vehicles, net | 70,951 | 70,867 |
| Tools, furniture and fixtures | 63,291 | 64,386 |
| Accumulated depreciation | (51,896) | (53,195) |
| Tools, furniture and fixtures, net | 11,395 | 11,191 |
| Land | 48,985 | 51,961 |
| Construction in progress | 7,928 | 9,616 |
| Total property, plant and equipment | 228,151 | 232,176 |
| Intangible assets | | |
| Goodwill | 34 | 762 |
| Software | 2,887 | 2,585 |
| Customer-related assets | 3,359 | 2,674 |
| Other | 7,502 | 5,782 |
| Total intangible assets | 13,782 | 11,804 |
| Investments and other assets | | |
| Investment securities | 67,523 | 59,313 |
| Deferred tax assets | 33,313 | 33,192 |
| Net defined benefit asset | 25,089 | 44,339 |
| Other | 23,947 | 23,020 |
| Allowance for doubtful accounts | (161) | (680) |
| Total investments and other assets | 149,711 | 159,184 |
| Total non-current assets | 391,644 | 403,164 |
| Total assets | 801,296 | 803,083 |

Consolidated Balance Sheet

(Millions of yen)

| | As of December 31, 2018 | As of December 31, 2019 |
|---|-------------------------|-------------------------|
| (Liabilities) | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 118,554 | 108,562 |
| Short-term loans payable | 29,986 | 20,139 |
| Current portion of long-term loans payable | 49,792 | 23,456 |
| Lease obligations | 667 | 1,244 |
| Income taxes payable | 2,843 | 2,556 |
| Provision for bonuses | 6,283 | 5,724 |
| Other | 47,476 | 48,445 |
| Total current liabilities | 255,601 | 210,126 |
| Non-current liabilities | | |
| Bonds payable | 60,000 | 80,000 |
| Long-term loans payable | 119,791 | 122,602 |
| Lease obligations | 4,229 | 5,191 |
| Deferred tax liabilities | 2,807 | 8,768 |
| Net defined benefit liability | 20,519 | 21,377 |
| Asset retirement obligations | 1,482 | 1,696 |
| Other | 9,533 | 9,826 |
| Total non-current liabilities | 218,361 | 249,459 |
| Total liabilities | 473,962 | 459,585 |
| (Net assets) | | |
| Shareholders' equity | | |
| Capital stock | 96,557 | 96,557 |
| Capital surplus | 94,445 | 94,456 |
| Retained earnings | 207,421 | 218,209 |
| Treasury shares | (1,823) | (1,823) |
| Total shareholders' equity | 396,600 | 407,398 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,407 | 1,676 |
| Deferred gains or losses on hedges | 14 | 683 |
| Foreign currency translation adjustment | (67,617) | (72,671) |
| Remeasurements of defined benefit plans | (31,508) | (24,346) |
| Total accumulated other comprehensive income | (97,704) | (94,658) |
| Non-controlling interests | 28,438 | 30,757 |
| Total net assets | 327,334 | 343,497 |
| Total liabilities and net assets | 801,296 | 803,083 |

Consolidated Statement of Income

(Millions of yen)

| | Fiscal year ended December 31, 2018 | Fiscal year ended December 31, 2019 |
|--|--|--|
| Net sales | 805,498 | 768,568 |
| Cost of sales | 629,850 | 603,199 |
| Gross profit | 175,648 | 165,369 |
| Selling, general and administrative expenses | | |
| Freightage and packing expenses | 13,230 | 13,104 |
| Employees' salaries and allowances | 42,660 | 41,742 |
| Provision of allowance for doubtful accounts | 669 | 995 |
| Provision for bonuses | 2,423 | 2,233 |
| Retirement benefit expenses | 33 | 1,043 |
| Research and development costs | 12,923 | 12,505 |
| Other | 55,325 | 52,414 |
| Total selling, general and administrative expenses | 127,263 | 124,037 |
| Operating income | 48,385 | 41,332 |
| Non-operating income | | |
| Interest income | 3,781 | 2,420 |
| Dividends income | 425 | 414 |
| Equity in earnings of affiliates | 3,845 | 2,475 |
| Other | 1,631 | 1,692 |
| Total non-operating income | 9,682 | 7,001 |
| Non-operating expenses | | |
| Interest expenses | 5,114 | 3,724 |
| Foreign exchange losses | 828 | 811 |
| Other | 3,423 | 2,496 |
| Total non-operating expenses | 9,365 | 7,031 |
| Ordinary income | 48,702 | 41,302 |
| Extraordinary income | | |
| Gain on sales of subsidiaries and affiliates securities | 679 | 1,624 |
| Insurance income | 237 | 1,409 |
| Gain on sales of non-current assets | 431 | 1,401 |
| Gain on sales of investment securities | 3,270 | — |
| Total extraordinary income | 4,617 | 4,435 |
| Extraordinary loss | | |
| Impairment loss | — | 3,078 |
| Loss on disposal of non-current assets | 2,535 | 2,399 |
| Acquisition related expenses | — | 1,914 |
| Loss on disaster | 409 | 1,520 |
| Severance costs | 1,539 | 840 |
| Provision of allowance for doubtful accounts | — | 551 |
| Amortization of prior service costs | — | 443 |
| Loss on sales of subsidiaries and affiliates securities | — | 316 |
| Total extraordinary loss | 4,483 | 11,061 |
| Income before income taxes and non-controlling interests | 48,836 | 34,676 |
| Income taxes-current | 11,015 | 7,869 |
| Income taxes-deferred | 4,019 | 1,461 |
| Total income taxes | 15,034 | 9,330 |
| Net income | 33,802 | 25,346 |
| Net income attributable to non-controlling interests | 1,774 | 1,846 |
| Net income attributable to owners of the parent | 32,028 | 23,500 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Fiscal year ended December 31, 2018 | Fiscal year ended December 31, 2019 |
|--|---|---|
| Net income | 33,802 | 25,346 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (6,502) | 327 |
| Deferred gains or losses on hedges | 17 | 669 |
| Foreign currency translation adjustment | (20,203) | (4,394) |
| Remeasurements of defined benefit plans, net of tax | (9,413) | 7,269 |
| Share of other comprehensive income of associates accounted for using equity method | (1,545) | (744) |
| Total other comprehensive income | (37,646) | 3,127 |
| Comprehensive income | (3,844) | 28,473 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | (4,863) | 26,546 |
| Comprehensive income attributable to non-controlling interests | 1,019 | 1,927 |

Consolidated Statement of Changes in Net Assets

Fiscal year ended December 31, 2018

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at January 1, 2018 | 96,557 | 94,445 | 186,768 | (1,828) | 375,942 |
| Change in FY2018 | | | | | |
| Dividends from surplus | | | (11,375) | | (11,375) |
| Net income attributable to owners of the parent | | | 32,028 | | 32,028 |
| Purchase of treasury shares | | | | (10) | (10) |
| Disposal of treasury shares | | | | 15 | 15 |
| Net changes of items other than shareholders' equity | | | | | |
| Total change in FY2018 | — | — | 20,653 | 5 | 20,658 |
| Balance at December 31, 2018 | 96,557 | 94,445 | 207,421 | (1,823) | 396,600 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at January 1, 2018 | 7,874 | (3) | (46,462) | (22,222) | (60,813) | 28,822 | 343,951 |
| Change in FY2018 | | | | | | | |
| Dividends from surplus | | | | | | | (11,375) |
| Net income attributable to owners of the parent | | | | | | | 32,028 |
| Purchase of treasury shares | | | | | | | (10) |
| Disposal of treasury shares | | | | | | | 15 |
| Net changes of items other than shareholders' equity | (6,467) | 17 | (21,155) | (9,286) | (36,891) | (384) | (37,275) |
| Total change in FY2018 | (6,467) | 17 | (21,155) | (9,286) | (36,891) | (384) | (16,617) |
| Balance at December 31, 2018 | 1,407 | 14 | (67,617) | (31,508) | (97,704) | 28,438 | 327,334 |

Consolidated Statement of Changes in Net Assets

Fiscal year ended December 31, 2019

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at January 1, 2019 | 96,557 | 94,445 | 207,421 | (1,823) | 396,600 |
| Cumulative effects of changes in accounting policies | — | — | (774) | — | (774) |
| Restated balance | 96,557 | 94,445 | 206,647 | (1,823) | 395,826 |
| Change in FY2019 | | | | | |
| Dividends from surplus | | | (11,849) | | (11,849) |
| Net income attributable to owners of the parent | | | 23,500 | | 23,500 |
| Purchase of treasury shares | | | | (7) | (7) |
| Disposal of treasury shares | | | | 6 | 6 |
| Change of scope of consolidation | | | (90) | | (90) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 11 | | | 11 |
| Net changes of items other than shareholders' equity | | | | | |
| Total change in FY2019 | — | 11 | 11,561 | (1) | 11,572 |
| Balance at December 31, 2019 | 96,557 | 94,456 | 218,209 | (1,823) | 407,398 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at January 1, 2019 | 1,407 | 14 | (67,617) | (31,508) | (97,704) | 28,438 | 327,334 |
| Cumulative effects of changes in accounting policies | — | — | — | — | — | — | (774) |
| Restated balance | 1,407 | 14 | (67,617) | (31,508) | (97,704) | 28,438 | 326,560 |
| Change in FY2019 | | | | | | | |
| Dividends from surplus | | | | | | | (11,849) |
| Net income attributable to owners of the parent | | | | | | | 23,500 |
| Purchase of treasury shares | | | | | | | (7) |
| Disposal of treasury shares | | | | | | | 6 |
| Change of scope of consolidation | | | | | | | (90) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | 11 |
| Net changes of items other than shareholders' equity | 269 | 670 | (5,055) | 7,161 | 3,046 | 2,320 | 5,365 |
| Total change in FY2019 | 269 | 670 | (5,055) | 7,161 | 3,046 | 2,320 | 16,937 |
| Balance at December 31, 2019 | 1,676 | 683 | (72,671) | (24,346) | (94,658) | 30,757 | 343,497 |

Consolidated Statement of Cash Flows

(Millions of yen)

| | Fiscal year ended December 31, 2018 | Fiscal year ended December 31, 2019 |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and non-controlling interests | 48,836 | 34,676 |
| Depreciation and amortization | 32,825 | 33,127 |
| Amortization of goodwill | 156 | 99 |
| Increase (decrease) in allowance for doubtful accounts | (263) | 559 |
| Increase (decrease) in provision for bonuses | (782) | (561) |
| Interest and dividends income | (4,206) | (2,834) |
| Equity in (earnings) losses of affiliates | (3,845) | (2,475) |
| Interest expenses | 5,114 | 3,724 |
| Loss (gain) on sales and retirement of non-current assets | 2,104 | 997 |
| Impairment loss | — | 3,078 |
| Loss (gain) on sales of subsidiaries and affiliates securities | (679) | (1,308) |
| Loss (gain) on sales of investment securities | (3,270) | — |
| Decrease (increase) in notes and accounts receivable-trade | 6,897 | (3,054) |
| Decrease (increase) in inventories | (14,516) | 4,614 |
| Increase (decrease) in notes and accounts payable-trade | 3,966 | (9,802) |
| Other, net | (9,524) | (3,543) |
| Subtotal | 62,813 | 57,298 |
| Interest and dividends income received | 6,307 | 4,335 |
| Interest expenses paid | (5,050) | (3,865) |
| Income taxes paid | (13,080) | (7,132) |
| Net cash provided by (used in) operating activities | 50,990 | 50,637 |
| Net cash provided by (used in) investing activities | | |
| Payments into time deposits | (3,832) | (3,685) |
| Proceeds from withdrawal of time deposits | 2,893 | 4,740 |
| Purchase of property, plant and equipment | (31,343) | (34,042) |
| Proceeds from sales of property, plant and equipment | 1,336 | 1,613 |
| Purchase of intangible assets | (741) | (919) |
| Purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation | (11,524) | (1,558) |
| Proceeds from purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation | — | 235 |
| Proceeds from purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation | 679 | 900 |
| Purchase of subsidiaries and affiliates securities | (157) | — |
| Proceeds from sales of subsidiaries and affiliates securities | 671 | 9,508 |
| Purchase of investment securities | (509) | (350) |
| Proceeds from sales and redemption of investment securities | 4,150 | 134 |
| Payments for transfer of business | (690) | (96) |
| Other, net | 679 | (1,363) |
| Net cash provided by (used in) investing activities | (38,388) | (24,884) |

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.
This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

Consolidated Statement of Cash Flows

(Millions of yen)

| | Fiscal year ended December 31, 2018 | Fiscal year ended December 31, 2019 |
|--|---|---|
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | (29,689) | (9,383) |
| Proceeds from long-term loans payable | 60,627 | 40,250 |
| Repayment of long-term loans payable | (39,204) | (63,513) |
| Proceeds from issuance of bonds | 10,000 | 20,000 |
| Cash dividends paid | (11,375) | (11,849) |
| Cash dividends paid to non-controlling interests | (1,348) | (767) |
| Net decrease (increase) in treasury shares | 5 | (1) |
| Purchase of shares and investments in capital of subsidiaries that does not result in change in scope of consolidation | (62) | (186) |
| Other, net | (735) | (1,351) |
| Net cash provided by (used in) financing activities | (11,781) | (26,799) |
| Effect of exchange rate change on cash and cash equivalents | 159 | (895) |
| Net increase (decrease) in cash and cash equivalents | 980 | (1,941) |
| Cash and cash equivalents at beginning of the period | 17,651 | 18,631 |
| Cash and cash equivalents at end of the period | 18,631 | 16,690 |