

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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Consolidated Financial Results for the Three Months Ended March 31, 2021 (Japan GAAP)
(The fiscal year ending December 31, 2021)

May 14, 2021
Stock Exchange: Tokyo
Head Office: Tokyo
Tel: +81 (3) 6733-3000

Company Name: DIC Corporation

Listing Code Number: 4631

Scheduled Filing Date of Securities Report: May 14, 2021

URL: <https://www.dic-global.com/en/>

Representative: Kaoru Iino, Representative Director, President and CEO

Contact Person: Jun Kaneko, General Manager, Accounting Department

Preparation of Supplemental Explanatory Materials: Yes

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

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

1. Consolidated Financial Results for the Three Months Ended March 31, 2021 (January 1, 2021 - March 31, 2021)

(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)	%
Three months ended March 31, 2021	190,262	4.7	13,967	40.7	14,812	78.6	10,197	121.4
Three months ended March 31, 2020	181,655	-4.7	9,924	22.7	8,292	1.9	4,605	-13.2

Note: Comprehensive income (JPY million): Three months ended March 31, 2021 28,294 (—%)

Three months ended March 31, 2020 -8,769 (—%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Three months ended March 31, 2021	107.73	—
Three months ended March 31, 2020	48.65	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of March 31, 2021	963,799	374,078	35.3
As of December 31, 2020	817,950	351,364	38.9

Reference: Shareholders' equity (JPY million): As of March 31, 2021 340,619 As of December 31, 2020 318,492

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
FY2020	—	50.00	—	50.00	100.00
FY2021	—	—	—	—	—
FY2021 (Plan)	—	50.00	—	50.00	100.00

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

3. Forecasts for Consolidated Operating Results for the Fiscal Year Ending December 31, 2021 (January 1, 2021 - December 31, 2021)

(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 FY2021	375,000	9.1	23,500	31.8	23,000	47.8	12,500	21.0	132.06
FY2021	750,000	7.0	45,000	13.5	42,000	15.2	20,000	51.1	211.30

Note: Revision of the latest forecasts for the consolidated operating results: Yes

For details, please refer to "Analysis of Results of Operations (3) Operating Results Forecasts for the First Half of Fiscal Year 2021 and Fiscal Year 2021".

Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the three months ended March 31, 2021: 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 March 31, 2021	95,156,904 shares,	As of December 31, 2020	95,156,904 shares
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 - 2) Number of treasury shares at the end of the period

As of March 31, 2021	502,362 shares,	As of December 31, 2020	506,322 shares
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 - 3) Average number of shares issued during the period, excluding treasury shares

For the three months ended March 31, 2021	94,653,693 shares,	For the three months ended March 31, 2020	94,648,885 shares
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* Since the fiscal year ended December 31, 2017, the Company has 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 in this report 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.

For information regarding the assumptions used to prepare the forecasts, please refer to page 4.

Analysis of Results of Operations

(1) Overview of Operating Results

(Billions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021	Change (%)	Change (%) [Local currency basis]
Net sales	181.7	190.3	4.7%	4.2%
Operating income	9.9	14.0	40.7%	40.4%
Ordinary income	8.3	14.8	78.6%	—
Net income attributable to owners of the parent	4.6	10.2	121.4%	—
EBITDA *	14.4	21.4	48.9%	—
¥/US\$1.00 (Average rate)	108.72	106.17	-2.3%	—
¥/EUR1.00 (Average rate)	119.68	127.88	6.9%	—

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

In the three months ended March 31, 2021, consolidated net sales rose 4.7%, to ¥190.3 billion. Despite the persistent spread of the COVID-19 pandemic, the global economy picked up, led by the United States and the People's Republic of China (PRC). In Japan, economic activity recovered in multiple areas, notably automobile manufacturing, as a result of which shipments of a variety of high-value-added products, including materials for use in semiconductor devices, electrical and electronics equipment, and automobiles, rallied. Shipments of materials for use in daily necessities such as food packaging were also firm, particularly in overseas markets.

Operating income, at ¥14.0 billion, was up 40.7%. In addition to expanded shipments of high-value-added products, the sharp increase in operating income reflected broad-based efforts to curb costs and successful efforts to address elevated raw materials costs, particularly in the Americas and Europe, by adjusting sales prices.

Ordinary income climbed 78.6%, to ¥14.8 billion, owing to a decline in non-operating expenses, among others.

Net income attributable to owners of the parent soared 121.4%, to ¥10.2 billion, bolstered by extraordinary income from a gain on sales of subsidiaries' and affiliates' securities.

Earnings before interest, taxes, depreciation and amortization (EBITDA) advanced 48.9%, to ¥21.4 billion.

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Three months ended March 31, 2020	Three months ended March 31, 2021	Change (%)	Change (%) Local currency basis	Three months ended March 31, 2020	Three months ended March 31, 2021	Change (%)	Change (%) Local currency basis
Packaging & Graphic	99.3	102.4	3.1%	3.0%	4.0	5.4	34.7%	36.7%
Color & Display	29.5	28.8	-2.6%	-2.2%	2.7	3.0	9.2%	8.6%
Functional Products	61.2	66.6	8.9%	7.6%	4.8	7.6	58.6%	56.6%
Others, Corporate and eliminations	(8.4)	(7.6)	—	—	(1.6)	(2.0)	—	—
Total	181.7	190.3	4.7%	4.2%	9.9	14.0	40.7%	40.4%

Packaging & Graphic

	Three months ended March 31, 2020	Three months ended March 31, 2021	Change (%)	Change (%) [Local currency basis]
Net sales	¥99.3 billion	¥102.4 billion	3.1%	3.0%
Operating income	¥4.0 billion	¥5.4 billion	34.7%	36.7%

Segment sales rose 3.1%, to ¥102.4 billion. In the area of materials for food packaging, sales of packaging inks escalated in Asia—underpinned by a steep increase in shipments, particularly in the PRC, which saw an unequivocal economic recovery—and were firm in the Americas and Europe, but decreased in Japan, owing to sluggish shipments. Sales of publication inks, which center on publishing inks and news inks, flagged in Japan as a second state-of-emergency declaration hindered demand for commercial printing, including advertisements and catalogs, but were essentially level overall thanks to robust market conditions in Asia and expanded shipments in the Americas and Europe. Sales of jet inks for digital printing were up significantly, buttressed by more robust shipments, as demand for industrial applications such as outdoor signage, posters and banners rebounded after flagging in the previous fiscal year, and by the positive impact of the June 2020 acquisition of a U.S. business of jet inks for digital printing on textiles.

Segment operating income advanced 34.7%, to ¥5.4 billion. Contributing factors included elevated shipments of packaging inks and publication inks overseas, and stronger sales of jet inks, which are high-value-added offerings, as well as successful efforts to address elevated raw materials costs, particularly in the Americas and Europe, by adjusting sales prices.

Color & Display

	Three months ended March 31, 2020	Three months ended March 31, 2021	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥29.5 billion	¥28.8 billion	-2.6%	-2.2%
Operating income	¥2.7 billion	¥3.0 billion	9.2%	8.6%

Segment sales edged down 2.6%, to ¥28.8 billion. In the area of color materials, a recovery in shipments of pigments for cosmetics was delayed amid continued mask wearing and restrictions on the movement of people worldwide as a result of COVID-19, while sales of pigments for use in inks decreased. Sales of display materials also declined, despite firm sales of pigments for color filters, as shipments of thin-film transistor liquid crystals (TFT LCs) fell. In pigments for specialty applications, sales of effect pigments increased, bolstered by higher demand in Europe for autoclaved aerated concrete for construction-related applications.

Segment operating income, at ¥3.0 billion, was up 9.2%. This was despite the overall decline in sales and was attributable to steady shipments of high-value-added products such as pigments for color filters and effect pigments.

Functional Products

	Three months ended March 31, 2020	Three months ended March 31, 2021	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥61.2 billion	¥66.6 billion	8.9%	7.6%
Operating income	¥4.8 billion	¥7.6 billion	58.6%	56.6%

Segment sales increased 8.9%, to ¥66.6 billion. Shipments of epoxy resins, the principal application for which is semiconductor devices, remained brisk overall for use as sealing materials in onboard and electronics equipment. Shipments of industrial-use tapes, used primarily in smartphones, were also firm. Sales of all environment-friendly resins* advanced, led by waterborne, polyurethane and other resins for automotive applications. Shipments of polyphenylene sulfide (PPS) compounds—uses for which continue to multiply, underpinned by the trend toward lighter and more electrified vehicles—rose sharply in all regions, buttressed by a recovery in the number of vehicles sold.

Segment operating income climbed 58.6%, to ¥7.6 billion, largely as a result of expanded shipments of epoxy resins and other high-value-added products.

* DIC uses the term “environment-friendly resins” to describe strategic resins designed to improve both environmental performance and functionality. These include waterborne, ultraviolet (UV)-curable, polyester, acrylic and polyurethane resins.

(3) Operating Results Forecasts for the First Half of Fiscal Year 2021 and Fiscal Year 2021

DIC has revised its operating results forecasts, published on February 19, 2021, as indicated below.

(Billions of yen)

	First half of FY2020	First half of FY2021	Change (%)	FY2020	FY2021	Change (%)
Net sales	343.7	375.0 [368.0]	9.1%	701.2	750.0	7.0%
Operating income	17.8	23.5 [20.5]	31.8%	39.7	45.0	13.5%
Ordinary income	15.6	23.0 [19.0]	47.8%	36.5	42.0	15.2%
Net income attributable to owners of the parent	10.3	12.5 [9.0]	21.0%	13.2	20.0	51.1%

Note: Forecasts in squared parentheses are those published on February 19, 2021.

Reasons for Revision of Operating Results Forecasts

In light of recent business trends, DIC has revised its operating results forecasts for the first half of fiscal year 2021. However, given a persistent lack of clarity regarding the impact of COVID-19's spread worldwide on its performance over the medium to long term, together with concerns regarding the influence of future raw materials price increases, the Company's operating results forecasts for fiscal year 2021 are unchanged from those published on February 19, 2021.

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, 2020	As of March 31, 2021
(Assets)		
Current assets		
Cash and deposits	44,885	170,718
Notes and accounts receivable-trade	197,595	203,208
Merchandise and finished goods	78,273	81,298
Work in process	9,065	10,005
Raw materials and supplies	55,058	60,197
Other	24,294	28,890
Allowance for doubtful accounts	(9,171)	(9,525)
Total current assets	399,997	544,791
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	86,885	87,626
Machinery, equipment and vehicles, net	67,386	67,341
Tools, furniture and fixtures, net	10,468	10,757
Land	51,362	52,769
Construction in progress	11,977	15,595
Total property, plant and equipment	228,078	234,088
Intangible assets		
Goodwill	819	838
Software	2,963	3,024
Customer-related assets	2,853	2,797
Other	4,877	5,111
Total intangible assets	11,512	11,770
Investments and other assets		
Investment securities	57,201	49,001
Net defined benefit asset	63,784	65,444
Other	58,112	59,458
Allowance for doubtful accounts	(734)	(753)
Total investments and other assets	178,363	173,150
Total non-current assets	417,953	419,008
Total assets	817,950	963,799

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Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	95,263	109,153
Short-term loans payable	37,371	39,279
Commercial papers	—	100,000
Current portion of bonds payable	—	10,000
Income taxes payable	4,985	3,579
Provision for bonuses	5,480	4,947
Other	54,082	55,557
Total current liabilities	197,181	322,515
Non-current liabilities		
Bonds payable	100,000	90,000
Long-term loans payable	123,766	130,504
Net defined benefit liability	17,071	17,147
Asset retirement obligations	1,691	1,753
Other	26,877	27,801
Total non-current liabilities	269,405	267,205
Total liabilities	466,586	589,720
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,468	94,468
Retained earnings	219,778	225,237
Treasury shares	(1,800)	(1,784)
Total shareholders' equity	409,003	414,477
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,903	4,699
Deferred gains or losses on hedges	2,468	3,545
Foreign currency translation adjustment	(82,321)	(66,741)
Remeasurements of defined benefit plans	(13,562)	(15,362)
Total accumulated other comprehensive income	(90,511)	(73,858)
Non-controlling interests	32,873	33,459
Total net assets	351,364	374,078
Total liabilities and net assets	817,950	963,799

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Consolidated Quarterly Statement of Income

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Net sales	181,655	190,262
Cost of sales	140,625	144,979
Gross profit	41,030	45,283
Selling, general and administrative expenses		
Employees' salaries and allowances	10,705	11,286
Provision of allowance for doubtful accounts	240	48
Provision for bonuses	1,067	1,064
Retirement benefit expenses	(16)	(203)
Other	19,109	19,121
Total selling, general and administrative expenses	31,106	31,316
Operating income	9,924	13,967
Non-operating income		
Interest income	430	262
Dividends income	191	190
Foreign exchange gains	—	411
Equity in earnings of affiliates	—	209
Other	610	734
Total non-operating income	1,232	1,807
Non-operating expenses		
Interest expenses	689	471
Foreign exchange losses	210	—
Equity in losses of affiliates	234	—
Other	1,731	491
Total non-operating expenses	2,864	962
Ordinary income	8,292	14,812
Extraordinary income		
Gain on sales of subsidiaries' and affiliates' securities	—	769
Total extraordinary income	—	769
Extraordinary loss		
Acquisition-related expenses	1,028	1,201
Loss on disposal of non-current assets	527	471
Severance costs	105	43
Total extraordinary loss	1,661	1,714
Income before income taxes and non-controlling interests	6,631	13,867
Income taxes	1,505	2,904
Net income	5,127	10,963
Net income attributable to non-controlling interests	522	766
Net income attributable to owners of the parent	4,605	10,197

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Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Net income	5,127	10,963
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,886)	1,849
Deferred gains or losses on hedges	(702)	1,079
Foreign currency translation adjustment	(12,421)	15,429
Remeasurements of defined benefit plans, net of tax	1,844	(1,970)
Share of other comprehensive income of associates accounted for using equity method	(732)	944
Total other comprehensive income	(13,896)	17,331
Comprehensive income	(8,769)	28,294
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(8,954)	26,850
Comprehensive income attributable to non-controlling interests	185	1,444