

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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Consolidated Financial Results for the Six Months Ended June 30, 2020 (Japan GAAP)
(The fiscal year ending December 31, 2020)

August 11, 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 Quarterly Financial Results Meeting: Yes (for security analysts and institutional investors, etc.)

Scheduled Filing Date of Securities Report: August 11, 2020

Dividend Payment : September 1, 2020

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2020 (January 1, 2020 - June 30, 2020)

(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)	%
Six months ended June 30, 2020	343,748	-10.7	17,835	-3.0	15,558	-18.1	10,334	-21.3
Six months ended June 30, 2019	385,014	-3.5	18,392	-24.4	18,994	-22.4	13,130	-11.9

Note: Comprehensive income (JPY million): Six months ended June 30, 2020 1,574 (-79.4%)
Six months ended June 30, 2019 7,642 (-%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Six months ended June 30, 2020	109.18	—
Six months ended June 30, 2019	138.73	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of June 30, 2020	870,885	340,809	35.5
As of December 31, 2019	803,083	343,497	38.9

Reference: Shareholders' equity (JPY million): As of June 30, 2020 309,503 As of December 31, 2019 312,740

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
FY2019	—	60.00	—	40.00	100.00
FY2020	—	50.00	—	—	—
FY2020 (Plan)	—	—	—	50.00	100.00

Note: Revision of the forecasts for the dividends payment: Yes

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)

(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
FY2020	700,000	-8.9		35,000	-15.3	31,500	-23.7	15,000	-36.2	158.48

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2020: Yes

For details, please refer to "Analysis of Results of Operations (3) Operating Results Forecasts for Fiscal Year 2020."

Notes

(1) Changes in the scope of consolidation for significant subsidiaries during the six months ended June 30, 2020: 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 shares issued (common stock)

1) Number of shares issued at the end of the period, including treasury shares

As of June 30, 2020	95,156,904 shares,	As of December 31, 2019	95,156,904 shares
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2) Number of treasury shares at the end of the period

As of June 30, 2020	505,158 shares,	As of December 31, 2019	511,622 shares
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3) Average number of shares issued during the period, excluding treasury shares

For the six months ended June 30, 2020	94,650,138 shares,	For the six months ended June 30, 2019	94,646,703 shares
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* 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: **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.

Analysis of Results of Operations

(1) Overview of Operating Results

(Billions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	385.0	343.7	-10.7%	-7.7%
Operating income	18.4	17.8	-3.0%	3.2%
Ordinary income	19.0	15.6	-18.1%	—
Net income attributable to owners of the parent	13.1	10.3	-21.3%	—
EBITDA *	33.7	30.7	-9.0%	—
¥/US\$1.00 (Average rate)	109.83	108.03	-1.6%	—
¥/EUR1.00 (Average rate)	124.05	118.99	-4.1%	—

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

In the six months ended June 30, 2020, consolidated net sales declined 10.7%, to ¥343.7 billion. Owing to the COVID-19 pandemic, global economic growth slowed in the second quarter (April 1–June 30, 2020), as a result of which shipments sank in multiple areas, including publication inks, pigments for cosmetics and materials for use in automobiles, depressing net sales in all segments. Net sales in the second quarter were down 10.8% from the first quarter (January 1–March 31, 2020).

Operating income slipped 3.0%, to ¥17.8 billion, despite being up 3.2% on a local currency basis. The negative impact of flagging shipments in diverse businesses was offset by cost reductions facilitated by lower raw materials prices, as well as by reduced activity expenses and rationalization measures. Nonetheless, operating income was pushed down by a decline in results overseas after translation, a consequence of the depreciation of emerging economy currencies, among others.

Ordinary income, at ¥15.6 billion, decreased 18.1%.

Net income attributable to owners of the parent fell 21.3%, to ¥10.3 billion. The principal factor behind this result was one-time costs associated with the acquisition of BASF SE's Colors & Effects business, which was announced on August 29, 2019.

Earnings before interest, taxes, depreciation and amortization (EBITDA) was down 9.0%, to ¥30.7 billion.

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Six months ended June 30, 2019	Six months ended June 30, 2020	Change (%)	Change (%) (Local currency basis)	Six months ended June 30, 2019	Six months ended June 30, 2020	Change (%)	Change (%) (Local currency basis)
Packaging & Graphic	208.7	190.1	-8.9%	-4.6%	8.0	8.7	9.4%	20.3%
Color & Display	61.1	54.5	-10.8%	-8.1%	6.0	4.6	-23.8%	-21.2%
Functional Products	132.1	114.5	-13.3%	-12.4%	7.9	8.1	2.6%	3.7%
Others, Corporate and eliminations	(16.9)	(15.4)	—	—	(3.5)	(3.6)	—	—
Total	385.0	343.7	-10.7%	-7.7%	18.4	17.8	-3.0%	3.2%

Packaging & Graphic

	Six months ended June 30, 2019	Six months ended June 30, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥208.7 billion	¥190.1 billion	-8.9%	-4.6%
Operating income	¥8.0 billion	¥8.7 billion	9.4%	20.3%

Segment sales declined 8.9%, to ¥190.1 billion. In the area of materials for food packaging, sales of packaging inks were level in the People's Republic of China (PRC), where demand had recovered, and Europe and the Americas, where demand remained firm, but decreased in Japan as demand driven by stay-at-home measures ran its course and leisure-related demand remained sluggish. Sales of publication inks, which center on publishing inks and news inks, were down, as the spread of COVID-19 and associated restrictions on the holding of events discouraged demand for print advertisements and leaflets, causing sales to commercial printers to plummet. Sales of jet inks for digital printing were also down, as the expanded use of teleworking arrangements depressed demand for office use.

Segment operating income rose 9.4%, to ¥8.7 billion. This result was despite falling shipments of publication inks and was attributable to firm shipments of packaging inks in the Americas and Europe, as well as to cost-cutting efforts, which focused on rationalization.

Color & Display

	Six months ended June 30, 2019	Six months ended June 30, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥61.1 billion	¥54.5 billion	-10.8%	-8.1%
Operating income	¥6.0 billion	¥4.6 billion	-23.8%	-21.2%

Segment sales, at ¥54.5 billion, were down 10.8%. Sales of color materials fell sharply, owing to declining shipments, particularly of pigments for cosmetics, a consequence of stay-at-home measures worldwide, and of the normalization of mask-wearing and other lifestyle changes. In display materials, sales of pigments for color filters and thin-film transistor liquid crystals (TFT LCs) decreased.

Segment operating income fell 23.8%, to ¥4.6 billion. In Europe and the Americas, operating income plunged, as operations at certain production facilities were suspended amid sagging shipments of pigments for cosmetics, making it impossible to absorb fixed and other costs.

Functional Products

	Six months ended June 30, 2019	Six months ended June 30, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥132.1 billion	¥114.5 billion	-13.3%	-12.4%
Operating income	¥7.9 billion	¥8.1 billion	2.6%	3.7%

Segment sales declined 13.3%, to ¥114.5 billion. Shipments of epoxy resins, the principal application for which is semiconductor devices, remained robust. In contrast, sales of industrial products were down. This was due to sinking demand for materials for diverse industrial applications, including materials for use in automobiles and building materials, which pushed down sales of environment-friendly resins* other than ultraviolet (UV)-curable resins. Demand for polyphenylene sulfide (PPS) compounds—use of which continues to expand, underpinned by the trend toward lighter and increasingly electrified vehicles—recovered in the PRC, but languished in Japan, as well as in other overseas markets, owing to flagging demand for automobiles. This, together with a negative rebound in the second quarter, which followed a strong first quarter underpinned by customers' efforts to secure inventories, caused shipments to fall sharply.

Segment operating income edged up 2.6%, to ¥8.1 billion, notwithstanding dwindling shipments overall. Contributing factors included persistently brisk shipments of high-value-added products such as epoxy resins and hollow-fiber membrane modules, the latter reflecting a recovery in the semiconductor device market, and the positive impact of lower raw materials prices.

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

(3) Operating Results Forecasts for Fiscal Year 2020

(Billions of yen)

	FY2019	FY2020	Change (%)	Change (%) [Local currency basis]
Net sales	768.6	700.0 [810.0]	-8.9%	-6.3%
Operating income	41.3	35.0 [45.0]	-15.3%	-11.1%
Ordinary income	41.3	31.5 [44.0]	-23.7%	—
Net income attributable to owners of the parent	23.5	15.0 [23.5]	-36.2%	—
¥/US\$1.00 (Average rate)	109.11	108.01	-1.0%	—
¥/EUR1.00 (Average rate)	122.13	118.40	-3.1%	—

Note: Forecasts in squared parentheses are those published on May 15, 2020.

In the six months ended June 30, 2020, the global economy slowed, owing to the spread of COVID-19, pushing down demand in multiple DIC markets, including for publication inks, pigments for cosmetics and materials for use in automobiles. As a consequence, both net sales and operating income results were below published forecasts. Against this backdrop, DIC has revised its forecasts for fiscal year 2020, ending December 31, 2020.

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, 2019	As of June 30, 2020
(Assets)		
Current assets		
Cash and deposits	16,786	110,123
Notes and accounts receivable-trade	211,232	180,456
Merchandise and finished goods	91,555	94,561
Work in process	9,566	10,649
Raw materials and supplies	58,610	60,127
Other	21,607	23,102
Allowance for doubtful accounts	(9,437)	(10,009)
Total current assets	399,919	469,009
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	88,540	87,455
Machinery, equipment and vehicles, net	70,867	69,041
Tools, furniture and fixtures, net	11,191	10,922
Land	51,961	52,101
Construction in progress	9,616	11,418
Total property, plant and equipment	232,176	230,937
Intangible assets		
Goodwill	762	899
Software	2,585	2,493
Customer-related assets	2,674	2,178
Other	5,782	5,387
Total intangible assets	11,804	10,956
Investments and other assets		
Investment securities	59,313	54,902
Net defined benefit asset	44,339	48,097
Other	56,212	57,644
Allowance for doubtful accounts	(680)	(660)
Total investments and other assets	159,184	159,983
Total non-current assets	403,164	401,876
Total assets	803,083	870,885

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	108,562	95,807
Short-term loans payable	43,595	54,514
Commercial papers	—	58,000
Income taxes payable	2,556	2,295
Provision for bonuses	5,724	5,650
Other	49,689	46,632
Total current liabilities	210,126	262,898
Non-current liabilities		
Bonds payable	80,000	80,000
Long-term loans payable	122,602	142,996
Net defined benefit liability	21,377	19,836
Asset retirement obligations	1,696	1,703
Other	23,785	22,643
Total non-current liabilities	249,459	267,178
Total liabilities	459,585	530,076
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,456	94,456
Retained earnings	218,209	224,751
Treasury shares	(1,823)	(1,797)
Total shareholders' equity	407,398	413,967
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,676	46
Deferred gains or losses on hedges	683	767
Foreign currency translation adjustment	(72,671)	(83,312)
Remeasurements of defined benefit plans	(24,346)	(21,964)
Total accumulated other comprehensive income	(94,658)	(104,464)
Non-controlling interests	30,757	31,306
Total net assets	343,497	340,809
Total liabilities and net assets	803,083	870,885

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Consolidated Quarterly Statement of Income

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net sales	385,014	343,748
Cost of sales	303,185	266,259
Gross profit	81,829	77,489
Selling, general and administrative expenses		
Employees' salaries and allowances	21,469	21,774
Provision of allowance for doubtful accounts	585	482
Provision for bonuses	2,269	2,062
Retirement benefit expenses	470	(57)
Other	38,644	35,392
Total selling, general and administrative expenses	63,437	59,653
Operating income	18,392	17,835
Non-operating income		
Interest income	1,348	726
Dividends income	280	281
Equity in earnings of affiliates	1,100	—
Other	1,115	1,010
Total non-operating income	3,843	2,017
Non-operating expenses		
Interest expenses	1,979	1,229
Foreign exchange losses	360	543
Equity in losses of affiliates	—	321
Other	902	2,203
Total non-operating expenses	3,241	4,295
Ordinary income	18,994	15,558
Extraordinary income		
Gain on sales of non-current assets	—	1,747
Gain on bargain purchase	—	1,316
Gain on sales of subsidiaries and affiliates securities	1,560	—
Total extraordinary income	1,560	3,063
Extraordinary loss		
Acquisition related expenses	—	1,900
Loss on disposal of non-current assets	944	999
Severance costs	501	300
Provision of allowance for doubtful accounts	555	—
Amortization of past service costs	390	—
Total extraordinary loss	2,390	3,199
Income before income taxes and non-controlling interests	18,164	15,422
Income taxes	3,953	3,873
Net income	14,211	11,549
Net income attributable to non-controlling interests	1,081	1,215
Net income attributable to owners of the parent	13,130	10,334

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net income	14,211	11,549
Other comprehensive income		
Valuation difference on available-for-sale securities	(299)	(1,681)
Deferred gains or losses on hedges	(18)	84
Foreign currency translation adjustment	(6,558)	(10,147)
Remeasurements of defined benefit plans, net of tax	1,666	2,408
Share of other comprehensive income of associates accounted for using equity method	(1,360)	(638)
Total other comprehensive income	(6,569)	(9,975)
Comprehensive income	7,642	1,574
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,748	528
Comprehensive income attributable to non-controlling interests	894	1,045

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	18,164	15,422
Depreciation and amortization	15,947	15,879
Amortization of goodwill	11	64
Gain on bargain purchase	—	(1,316)
Increase (decrease) in allowance for doubtful accounts	927	792
Increase (decrease) in provision for bonuses	(171)	21
Interest and dividends income	(1,628)	(1,007)
Equity in (earnings) losses of affiliates	(1,100)	321
Interest expenses	1,979	1,229
Loss (gain) on sales and retirement of non-current assets	944	(748)
Loss (gain) on sales of subsidiaries and affiliates securities	(1,560)	—
Decrease (increase) in notes and accounts receivable-trade	(8,844)	26,191
Decrease (increase) in inventories	(2,307)	(8,996)
Increase (decrease) in notes and accounts payable-trade	(9,286)	(11,510)
Other, net	(6,478)	(10,146)
Subtotal	6,598	26,197
Interest and dividends income received	2,444	2,049
Interest expenses paid	(1,990)	(1,348)
Income taxes paid	(3,816)	(3,622)
Net cash provided by (used in) operating activities	3,236	23,276

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,841)	(5,472)
Proceeds from withdrawal of time deposits	511	1,184
Purchase of property, plant and equipment	(15,593)	(14,208)
Proceeds from sales of property, plant and equipment	242	1,656
Purchase of intangible assets	(557)	(363)
Purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	(1,564)	(2,099)
Proceeds from purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	221	—
Proceeds from sales of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	903	—
Proceeds from sales of subsidiaries and affiliates securities	2,500	226
Purchase of investment securities	(321)	(18)
Proceeds from sales and redemption of investment securities	120	59
Other, net	(291)	492
Net cash provided by (used in) investing activities	(15,670)	(18,543)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(4,034)	13,154
Increase (decrease) in commercial papers	62,000	58,000
Proceeds from long-term loans payable	32,900	35,642
Repayment of long-term loans payable	(40,568)	(17,491)
Proceeds from issuance of bonds	10,000	—
Cash dividends paid	(6,162)	(3,792)
Cash dividends paid to non-controlling interests	(614)	(502)
Net decrease (increase) in treasury shares	3	26
Purchase of shares and investments in capital of subsidiaries that does not result in change in scope of consolidation	(131)	—
Other, net	(640)	(1,498)
Net cash provided by (used in) financing activities	52,754	83,540
Effect of exchange rate change on cash and cash equivalents	(1,100)	803
Net increase (decrease) in cash and cash equivalents	39,220	89,076
Cash and cash equivalents at beginning of the period	18,631	16,690
Cash and cash equivalents at end of the period	57,851	105,766