

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

November 13, 2020
Stock Exchange: Tokyo
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Company Name: DIC Corporation

Listing Code Number: 4631

Scheduled Filing Date of Securities Report: November 13, 2020

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

Representative: Kaoru Ino, Representative Director, President and CEO

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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 Nine Months Ended September 30, 2020 (January 1, 2020 – September 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)	%
Nine months ended September 30, 2020	514,308	-10.8	25,577	-13.2	22,965	-23.4	13,913	-24.1
Nine months ended September 30, 2019	576,587	-4.0	29,471	-19.1	29,964	-17.8	18,327	-18.3

Note: Comprehensive income (JPY million):
Nine months ended September 30, 2020 6,699 (-24.6%)
Nine months ended September 30, 2019 8,882 (8.8%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Nine months ended September 30, 2020	146.99	—
Nine months ended September 30, 2019	193.64	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of September 30, 2020	861,205	337,789	35.6
As of December 31, 2019	803,083	343,497	38.9

Reference: Shareholders' equity (JPY million): As of September 30, 2020 306,267 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: No

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
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: No

Notes

(1) Changes in the scope of consolidation for significant subsidiaries during the nine months ended September 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 September 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 September 30, 2020	505,770 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 nine months ended September 30, 2020	94,650,497 shares,	For the nine months ended September 30, 2019	94,646,551 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)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	576.6	514.3	-10.8%	-8.2%
Operating income	29.5	25.6	-13.2%	-8.1%
Ordinary income	30.0	23.0	-23.4%	—
Net income attributable to owners of the parent	18.3	13.9	-24.1%	—
EBITDA*	50.1	43.6	-12.9%	—
¥/US\$1.00 (Average rate)	109.15	107.16	-1.8%	—
¥/EUR1.00 (Average rate)	122.56	120.49	-1.7%	—

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

In the nine months ended September 30, 2020, consolidated net sales declined 10.8%, to ¥514.3 billion. While the COVID-19 pandemic persisted worldwide, the spread of infection subsided in many areas in the third quarter (July 1–September 30, 2020), prompting a relaxation of restrictions on activities that led to signs of an improvement in shipments of certain products, including publication inks and materials for use in automobiles. Nonetheless, sales shrank in all segments, as in the six months ended June 30, 2020. Net sales were 5.2% higher in the third quarter than in the second quarter (April 1–June 30, 2020).

Operating income decreased 13.2%, or 8.1% on a local currency basis, to ¥25.6 billion. Overseas, a recovery in shipments, particularly of printing inks, in Asia, and in the Americas and Europe, combined with reduced activity expenses and rationalization measures to boost operating income above the level reported in the nine months ended September 30, 2019, on a local currency basis. In Japan, shipments have been slower to rally, as a result of which the drop in operating income widened.

Ordinary income, at ¥23.0 billion, was down 23.4%.

Net income attributable to owners of the parent fell 24.1%, to ¥13.9 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) declined 12.9%, to ¥43.6 billion.

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Change (%)	Change (%) (Local currency basis)	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Change (%)	Change (%) (Local currency basis)
Packaging & Graphic	312.1	286.2	-8.3%	-4.6%	13.1	13.5	3.5%	12.4%
Color & Display	89.6	79.9	-10.8%	-8.5%	8.8	6.3	-28.9%	-26.7%
Functional Products	199.9	170.4	-14.8%	-14.1%	12.9	11.2	-13.1%	-12.4%
Others, Corporate and eliminations	(25.0)	(22.2)	—	—	(5.3)	(5.5)	—	—
Total	576.6	514.3	-10.8%	-8.2%	29.5	25.6	-13.2%	-8.1%

Packaging & Graphic

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥312.1 billion	¥286.2 billion	-8.3%	-4.6%
Operating income	¥13.1 billion	¥13.5 billion	3.5%	12.4%

Segment sales declined 8.3%, to ¥286.2 billion. In the area of materials for food packaging, sales of packaging inks advanced in Asia, where demand was steady, and were level in the Americas and Europe, where demand remained firm, but decreased in Japan as COVID-19 caused the deterioration of sales. Although demand for print advertisements and commercial printing in the third quarter improved from the second quarter in all regions, sales of publication inks—which center on publishing inks and news inks—dwindled, as demand, having slumped under the influence of the pandemic, failed to recover completely. 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 3.5%, to ¥13.5 billion. This result was despite falling shipments of publication inks and of packaging inks in Japan and was attributable to firm shipments of packaging inks in Asia, and in the Americas and Europe, as well as to cost-cutting efforts, which focused on rationalization.

Color & Display

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥89.6 billion	¥79.9 billion	-10.8%	-8.5%
Operating income	¥8.8 billion	¥6.3 billion	-28.9%	-26.7%

Segment sales, at ¥79.9 billion, were down 10.8%. Sales of color materials fell sharply, owing to declining shipments, particularly of pigments for cosmetics, a consequence of the normalization of mask-wearing and other lifestyle changes. In display materials, sales decreased despite signs of an improvement in sales of pigments for color filters and of thin-film transistor liquid crystals (TFT LCs) accompanying a recovery in the market for liquid crystal displays (LCDs). In contrast, sales of effect pigments remained even, buttressed by higher demand in Europe for autoclaved aerated concrete for construction-related applications.

Segment operating income dropped 28.9%, to ¥6.3 billion. In the Americas and Europe, operating income plunged as production adjustments prompted the cutting of operating rates at certain production facilities amid sagging shipments of pigments for cosmetics, which made it impossible to absorb fixed and other costs.

Functional Products

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥199.9 billion	¥170.4 billion	-14.8%	-14.1%
Operating income	¥12.9 billion	¥11.2 billion	-13.1%	-12.4%

Segment sales decreased 14.8%, to ¥170.4 billion. Shipments of epoxy resins, the principal application for which is semiconductor devices, slowed as demand for use in 5G-enabled communications equipment stalled in the third quarter. Demand for environment-friendly resins* rallied, particularly for use in automobiles and building materials, but a full-scale revival remained elusive, causing sales to shrink. Shipments of polyphenylene sulfide (PPS) compounds—uses for which continue to expand, underpinned by the trend toward lighter and increasingly electrified vehicles—tumbled despite signs of an improvement in the third quarter, bolstered by a recovery in the automobile market across all regions after a steep fall in demand in the second quarter.

Segment operating income declined 13.1%, to ¥11.2 billion. This result reflected the fact that demand for products for diverse industrial applications, including automobiles and building materials, lingered in a recovery phase, while lower raw materials prices and cost reductions were insufficient to offset the stagnation of previously robust shipments of epoxy resins.

* 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 Fiscal Year 2020

(Billions of yen)

	FY2019	FY2020	Change (%)	Change (%) [Local currency basis]
Net sales	768.6	700.0	-8.9%	-6.2%
Operating income	41.3	35.0	-15.3%	-10.2%
Ordinary income	41.3	31.5	-23.7%	—
Net income attributable to owners of the parent	23.5	15.0	-36.2%	—
¥/US\$1.00 (Average rate)	109.11	106.78	-2.1%	—
¥/EUR1.00 (Average rate)	122.13	119.35	-2.3%	—

Note: Currency exchange rates have been adjusted, but forecasts are unchanged from those published on August 11, 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 September 30, 2020
(Assets)		
Current assets		
Cash and deposits	16,786	110,019
Notes and accounts receivable-trade	211,232	177,277
Merchandise and finished goods	91,555	87,539
Work in process	9,566	10,800
Raw materials and supplies	58,610	57,484
Other	21,607	22,778
Allowance for doubtful accounts	(9,437)	(10,078)
Total current assets	399,919	455,819
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	88,540	87,193
Machinery, equipment and vehicles, net	70,867	69,029
Tools, furniture and fixtures, net	11,191	10,586
Land	51,961	52,266
Construction in progress	9,616	12,491
Total property, plant and equipment	232,176	231,565
Intangible assets		
Goodwill	762	864
Software	2,585	2,614
Customer-related assets	2,674	2,924
Other	5,782	5,186
Total intangible assets	11,804	11,589
Investments and other assets		
Investment securities	59,313	55,667
Net defined benefit asset	44,339	50,208
Other	56,212	57,030
Allowance for doubtful accounts	(680)	(672)
Total investments and other assets	159,184	162,233
Total non-current assets	403,164	405,386
Total assets	803,083	861,205

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2019	As of September 30, 2020
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	108,562	87,562
Short-term loans payable	43,595	34,407
Commercial papers	—	58,000
Income taxes payable	2,556	1,602
Provision for bonuses	5,724	5,135
Other	49,689	53,924
Total current liabilities	210,126	240,630
Non-current liabilities		
Bonds payable	80,000	100,000
Long-term loans payable	122,602	138,389
Net defined benefit liability	21,377	18,802
Asset retirement obligations	1,696	1,690
Other	23,785	23,904
Total non-current liabilities	249,459	282,785
Total liabilities	459,585	523,416
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,456	94,456
Retained earnings	218,209	220,457
Treasury shares	(1,823)	(1,798)
Total shareholders' equity	407,398	409,673
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,676	2,634
Deferred gains or losses on hedges	683	1,487
Foreign currency translation adjustment	(72,671)	(85,872)
Remeasurements of defined benefit plans	(24,346)	(21,654)
Total accumulated other comprehensive income	(94,658)	(103,406)
Non-controlling interests	30,757	31,522
Total net assets	343,497	337,789
Total liabilities and net assets	803,083	861,205

Consolidated Quarterly Statement of Income

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Net sales	576,587	514,308
Cost of sales	453,004	400,497
Gross profit	123,583	113,811
Selling, general and administrative expenses		
Employees' salaries and allowances	31,799	32,573
Provision of allowance for doubtful accounts	711	561
Provision for bonuses	3,176	2,953
Retirement benefit expenses	717	(110)
Other	57,709	52,258
Total selling, general and administrative expenses	94,112	88,234
Operating income	29,471	25,577
Non-operating income		
Interest income	1,949	1,002
Dividends income	376	415
Equity in earnings of affiliates	1,798	159
Other	1,337	1,689
Total non-operating income	5,460	3,265
Non-operating expenses		
Interest expenses	2,920	1,728
Foreign exchange losses	747	909
Other	1,300	3,239
Total non-operating expenses	4,967	5,877
Ordinary income	29,964	22,965
Extraordinary income		
Gain on sales of non-current assets	1,315	1,722
Gain on bargain purchase	—	1,305
Gain on sales of subsidiaries and affiliates securities	1,555	—
Total extraordinary income	2,870	3,027
Extraordinary loss		
Acquisition related expenses	1,057	3,357
Loss on disposal of non-current assets	1,516	1,418
Severance costs	613	751
Impairment loss	1,463	—
Loss on disaster	1,168	—
Provision of allowance for doubtful accounts	551	—
Amortization of past service costs	390	—
Total extraordinary loss	6,758	5,525
Income before income taxes and non-controlling interests	26,076	20,467
Income taxes	6,466	4,855
Net income	19,610	15,612
Net income attributable to non-controlling interests	1,283	1,699
Net income attributable to owners of the parent	18,327	13,913

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Net income	19,610	15,612
Other comprehensive income		
Valuation difference on available-for-sale securities	(155)	882
Deferred gains or losses on hedges	45	803
Foreign currency translation adjustment	(11,483)	(12,810)
Remeasurements of defined benefit plans, net of tax	2,661	2,724
Share of other comprehensive income of associates accounted for using equity method	(1,796)	(512)
Total other comprehensive income	(10,728)	(8,913)
Comprehensive income	8,882	6,699
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,850	5,165
Comprehensive income attributable to non-controlling interests	1,032	1,534