

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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Consolidated Financial Results for the Six Months Ended June 30, 2021 (Japan GAAP)
(The fiscal year ending December 31, 2021)

August 10, 2021
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 10, 2021

Dividend Payment: September 1, 2021

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2021 (January 1, 2021 - June 30, 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)	%
Six months ended June 30, 2021	391,793	14.0	27,303	53.1	28,239	81.5	16,028	55.1
Six months ended June 30, 2020	343,748	-10.7	17,835	-3.0	15,558	-18.1	10,334	-21.3

Note: Comprehensive income (JPY million):
Six months ended June 30, 2021 38,709 (—%)
Six months ended June 30, 2020 1,574 (-79.4%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Six months ended June 30, 2021	169.33	—
Six months ended June 30, 2020	109.18	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of June 30, 2021	1,103,491	384,428	31.8
As of December 31, 2020	817,950	351,364	38.9

Reference: Shareholders' equity (JPY million): As of June 30, 2021 350,497 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	—	50.00	—	—	—
FY2021 (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, 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
FY2021	840,000	19.8	48,000	21.0	47,500	30.3	22,000	66.3	232.42

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2021: Yes

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

Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the six months ended June 30, 2021: Yes
 New consolidated subsidiaries: BASF Colors & Effects USA LLC (The company name is scheduled to be changed to Colors & Effects USA LLC by the end of December, 2021.)
- (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 June 30, 2021 | 95,156,904 shares, | As of December 31, 2020 | 95,156,904 shares |
|---------------------|--------------------|-------------------------|-------------------|
- 2) Number of treasury shares at the end of the period
- | | | | |
|---------------------|-----------------|-------------------------|----------------|
| As of June 30, 2021 | 500,380 shares, | As of December 31, 2020 | 506,322 shares |
|---------------------|-----------------|-------------------------|----------------|
- 3) Average number of shares issued during the period, excluding treasury shares
- | | | | |
|--|--------------------|--|-------------------|
| For the six months ended June 30, 2021 | 94,655,033 shares, | For the six months ended June 30, 2020 | 94,650,138 shares |
|--|--------------------|--|-------------------|
- * 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)

	Six months ended June 30, 2020	Six months ended June 30, 2021	Change (%)	Change (%) [Local currency basis]
Net sales	343.7	391.8	14.0%	11.4%
Operating income	17.8	27.3	53.1%	48.9%
Ordinary income	15.6	28.2	81.5%	—
Net income attributable to owners of the parent	10.3	16.0	55.1%	—
EBITDA*	30.7	38.2	24.5%	—
¥/US\$1.00 (Average rate)	108.03	107.68	-0.3%	—
¥/EUR1.00 (Average rate)	118.99	129.63	8.9%	—

* 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, 2021, consolidated net sales advanced 14.0%, to ¥391.8 billion. With progress in the drive to vaccinate people against COVID-19, the efforts of countries around the world to balance efforts to curb the pandemic with those aimed at maintaining economic activity began to yield positive results. Bolstered by greater digital-related demand worldwide, as well as by expanded capital investment, shipments were up in multiple areas, notably high-value-added products such as materials for use in semiconductor devices, and electrical and electronics equipment. Sales of materials for automotive applications remained firm, although concerns arose over the impact of a shortage of semiconductor devices in the automobile industry. Shipments of pigments for cosmetics showed signs of recovering, owing to the relaxation of pandemic-related restrictions on the movement of people in the United States and certain European countries, while those of materials for use in daily necessities such as food packaging remained firm, particularly overseas. As a consequence, sales were up in all segments.

Operating income, at ¥27.3 billion, was up 53.1%. This sharp gain was despite the heightened impact of elevated raw materials costs, a consequence of rising crude oil prices, in the second quarter and was due to higher shipments in all segments, particularly of high-value-added products, as well as to efforts to adjust sales prices.

Ordinary income soared 81.5%, to ¥28.2 billion, reflecting an increase in equity in earnings of affiliates and foreign exchange gains.

Net income attributable to owners of the parent, climbed 55.1%, to ¥16.0 billion. The principal factor behind this result was the incurrence of one-time costs associated with the acquisition of BASF SE's Colors & Effects business, which was completed on June 30, 2021.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 24.5%, to ¥38.2 billion.

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Six months ended June 30, 2020	Six months ended June 30, 2021	Change (%)	Change (%) (Local currency basis)	Six months ended June 30, 2020	Six months ended June 30, 2021	Change (%)	Change (%) (Local currency basis)
Packaging & Graphic	190.1	211.0	11.0%	8.3%	8.7	10.5	20.5%	19.4%
Color & Display	54.5	59.2	8.5%	6.7%	4.6	7.0	52.2%	46.5%
Functional Products	114.5	137.4	20.0%	17.5%	8.1	14.1	74.2%	70.7%
Others, Corporate and eliminations	(15.4)	(15.8)	—	—	(3.6)	(4.3)	—	—
Total	343.7	391.8	14.0%	11.4%	17.8	27.3	53.1%	48.9%

Packaging & Graphic

	Six months ended June 30, 2020	Six months ended June 30, 2021	Change (%)	Change (%) [Local currency basis]
Net sales	¥190.1 billion	¥211.0 billion	11.0%	8.3%
Operating income	¥8.7 billion	¥10.5 billion	20.5%	19.4%

Segment sales rose 11.0%, to ¥211.0 billion. In materials for food packaging, sales of packaging inks were bolstered by the continued expansion of shipments in Asia, and in the Americas and Europe, and the limited impact of a third state-of-emergency declaration in Japan. Sales of publication inks, which center on publishing inks and news inks, were also up—despite a slow recovery for commercial printing in Japan—thanks to robust market conditions in Asia and higher market shares, backed by stable shipments, in the Americas and Europe. Sales of jet inks for digital printing were robust, buttressed by brisk sales for industrial applications, including outdoor signage, posters and banners, and for office use, as well as by the positive impact of the June 2020 acquisition of a business engaged in the production of jet inks for digital printing on textiles.

Segment operating income advanced 20.5%, to ¥10.5 billion. Contributing factors included higher shipments of packaging inks and publication inks, as well as of jet inks, which are categorized as high-value-added offerings, and efforts in all regions to address elevated raw materials costs by adjusting sales prices.

Color & Display

	Six months ended June 30, 2020	Six months ended June 30, 2021	Change (%)	Change (%) [Local currency basis]
Net sales	¥54.5 billion	¥59.2 billion	8.5%	6.7%
Operating income	¥4.6 billion	¥7.0 billion	52.2%	46.5%

Segment sales increased 8.5%, to ¥59.2 billion. Sales of color materials rose, as shipments of pigments for cosmetics showed signs of recovering, prompted by the expanded deployment of COVID-19 vaccines and a resulting relaxation of restrictions on the movement of people. In display materials, sales of pigments for color filters were up, as demand for use in liquid crystal displays (LCDs) spurred rising shipments, while sales of thin-film transistor liquid crystals (TFT LCs) fell, owing to intensified competition with manufacturers in the People's Republic of China (PRC). In pigments for specialty applications, sales of effect pigments remained on an uptrend, bolstered by higher demand in Europe for autoclaved aerated concrete for construction-related applications.

Segment operating income climbed 52.2%, to ¥7.0 billion. This was attributable to the recovery in shipments of pigments for cosmetics, as well as to persistently firm shipments of high-value-added products such as pigments for color filters and effect pigments.

Functional Products

	Six months ended June 30, 2020	Six months ended June 30, 2021	Change (%)	Change (%) [Local currency basis]
Net sales	¥114.5 billion	¥137.4 billion	20.0%	17.5%
Operating income	¥8.1 billion	¥14.1 billion	74.2%	70.7%

Segment sales advanced 20.0%, to ¥137.4 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 and other mobile devices, were also firm. Sales of all environment-friendly resins* increased, led by robust shipments of products in all categories for a wide range of applications, including automobiles, electrical and electronics equipment, and building materials. Sales of polyphenylene sulfide (PPS) compounds—uses for which continue to multiply, underpinned by the trend toward lighter and more electrified vehicles—were up in all regions, thanks to continued high orders, although concerns arose over the impact of a shortage of semiconductor devices in the automobile industry.

Segment operating income leapt 74.2%, to ¥14.1 billion. This sharp gain was despite elevated raw materials costs and reflected continued brisk shipments of epoxy resins and other high-value-added products and efforts to adjust sales prices.

* 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 2021

DIC has revised its operating results forecasts, published on May 14, 2021, as indicated below.

(Billions of yen)

	FY2020	FY2021	Change (%)	Change (%) [Local currency basis]
Net sales	701.2	840.0 [750.0]	19.8%	16.1%
Operating income	39.7	48.0 [45.0]	21.0%	15.8%
Ordinary income	36.5	47.5 [42.0]	30.3%	—
Net income attributable to owners of the parent	13.2	22.0 [20.0]	66.3%	—
¥/US\$1.00 (Average rate)	106.37	109.00	2.5%	—
¥/EUR1.00 (Average rate)	121.43	131.00	7.9%	—

Note: Forecasts in squared parentheses are those published on May 14, 2021.

Reasons for Revision of Operating Results Forecasts

Owing to the inclusion of the Colors & Effects business acquired from BASF beginning in the second half of fiscal year 2021, DIC anticipates a significant increase in consolidated net sales. On the income front, further progress in global COVID-19 vaccination efforts and an improvement in economic activity worldwide are expected to support persistently robust shipments of core products worldwide, although fears remain that a resurgence in infections may affect supply chains and that rising crude oil prices will continue to push up raw materials costs. Accordingly, DIC will continue working to adjust sales prices as necessary in markets around the world to minimize the impact of these factors. Despite incurring one-time operating expenses associated with the acquisition of the Colors & Effects business, owing to a reassessment of the fair value of inventories gained, operating income is also expected to rise. In light of these factors, the Company has revised its full-term operating results forecasts for fiscal year 2021 upwards.

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, 2020	As of June 30, 2021
(Assets)		
Current assets		
Cash and deposits	44,885	97,367
Notes and accounts receivable-trade	197,595	236,383
Merchandise and finished goods	78,273	127,638
Work in process	9,065	10,365
Raw materials and supplies	55,058	74,833
Other	24,294	25,539
Allowance for doubtful accounts	(9,171)	(9,432)
Total current assets	399,997	562,693
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	86,885	106,814
Machinery, equipment and vehicles, net	67,386	100,250
Tools, furniture and fixtures, net	10,468	12,794
Land	51,362	60,571
Construction in progress	11,977	16,734
Total property, plant and equipment	228,078	297,162
Intangible assets		
Goodwill	819	17,313
Software	2,963	2,997
Customer-related assets	2,853	6,898
Other	4,877	25,759
Total intangible assets	11,512	52,967
Investments and other assets		
Investment securities	57,201	54,455
Net defined benefit asset	63,784	66,651
Other	58,112	70,321
Allowance for doubtful accounts	(734)	(758)
Total investments and other assets	178,363	190,668
Total non-current assets	417,953	540,797
Total assets	817,950	1,103,491

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2020	As of June 30, 2021
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	95,263	128,059
Short-term loans payable	37,371	100,789
Commercial papers	—	100,000
Current portion of bonds payable	—	10,000
Income taxes payable	4,985	3,794
Provision for bonuses	5,480	5,725
Other	54,082	61,010
Total current liabilities	197,181	409,377
Non-current liabilities		
Bonds payable	100,000	90,000
Long-term loans payable	123,766	120,389
Net defined benefit liability	17,071	43,351
Asset retirement obligations	1,691	1,841
Other	26,877	54,105
Total non-current liabilities	269,405	309,686
Total liabilities	466,586	719,063
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,468	94,468
Retained earnings	219,778	231,068
Treasury shares	(1,800)	(1,775)
Total shareholders' equity	409,003	420,318
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,903	4,947
Deferred gains or losses on hedges	2,468	(45)
Foreign currency translation adjustment	(82,321)	(59,849)
Remeasurements of defined benefit plans	(13,562)	(14,874)
Total accumulated other comprehensive income	(90,511)	(69,821)
Non-controlling interests	32,873	33,931
Total net assets	351,364	384,428
Total liabilities and net assets	817,950	1,103,491

Consolidated Quarterly Statement of Income

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net sales	343,748	391,793
Cost of sales	266,259	301,131
Gross profit	77,489	90,662
Selling, general and administrative expenses		
Employees' salaries and allowances	21,774	22,589
Provision of allowance for doubtful accounts	482	134
Provision for bonuses	2,062	2,057
Retirement benefit expenses	(57)	(413)
Other	35,392	38,992
Total selling, general and administrative expenses	59,653	63,358
Operating income	17,835	27,303
Non-operating income		
Interest income	726	561
Dividends income	281	259
Foreign exchange gains	—	467
Equity in earnings of affiliates	—	862
Other	1,010	1,205
Total non-operating income	2,017	3,353
Non-operating expenses		
Interest expenses	1,229	967
Foreign exchange losses	543	—
Equity in losses of affiliates	321	—
Other	2,203	1,450
Total non-operating expenses	4,295	2,418
Ordinary income	15,558	28,239
Extraordinary income		
Gain on sales of subsidiaries' and affiliates' securities	—	769
Gain on sales of non-current assets	1,747	310
Gain on bargain purchase	1,316	—
Total extraordinary income	3,063	1,079
Extraordinary loss		
Acquisition-related expenses	1,900	5,667
Loss on disposal of non-current assets	999	1,203
Severance costs	300	200
Total extraordinary loss	3,199	7,071
Income before income taxes and non-controlling interests	15,422	22,247
Income taxes	3,873	5,046
Net income	11,549	17,201
Net income attributable to non-controlling interests	1,215	1,172
Net income attributable to owners of the parent	10,334	16,028

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Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net income	11,549	17,201
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,681)	2,068
Deferred gains or losses on hedges	84	(2,512)
Foreign currency translation adjustment	(10,147)	22,395
Remeasurements of defined benefit plans, net of tax	2,408	(1,458)
Share of other comprehensive income of associates accounted for using equity method	(638)	1,015
Total other comprehensive income	(9,975)	21,508
Comprehensive income	1,574	38,709
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	528	36,719
Comprehensive income attributable to non-controlling interests	1,045	1,990

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	15,422	22,247
Depreciation and amortization	15,879	16,599
Amortization of goodwill	64	83
Gain on bargain purchase	(1,316)	—
Increase (decrease) in allowance for doubtful accounts	792	(357)
Increase (decrease) in provision for bonuses	21	231
Interest and dividends income	(1,007)	(820)
Equity in (earnings) losses of affiliates	321	(862)
Interest expenses	1,229	967
Loss (gain) on sales and retirement of non-current assets	(748)	894
Loss (gain) on sales of subsidiaries' and affiliates' securities	—	(769)
Decrease (increase) in notes and accounts receivable-trade	26,191	(10,706)
Decrease (increase) in inventories	(8,996)	(15,219)
Increase (decrease) in notes and accounts payable-trade	(11,510)	27,065
Other, net	(10,146)	(2,136)
Subtotal	26,197	37,218
Interest and dividends income received	2,049	1,821
Interest expenses paid	(1,348)	(972)
Income taxes paid	(3,622)	(7,657)
Net cash provided by (used in) operating activities	23,276	30,409
Net cash provided by (used in) investing activities		
Payments into time deposits	(5,472)	(152)
Proceeds from withdrawal of time deposits	1,184	2,467
Purchase of property, plant and equipment	(14,208)	(14,834)
Proceeds from sales of property, plant and equipment	1,656	335
Purchase of intangible assets	(363)	(500)
Purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	(2,099)	(127,935)
Proceeds from sales of subsidiaries and affiliates securities	226	11,618
Purchase of investment securities	(18)	(114)
Proceeds from sales and redemption of investment securities	59	712
Proceeds from sales of businesses	—	95
Other, net	492	(9)
Net cash provided by (used in) investing activities	(18,543)	(128,317)

Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	13,154	52,954
Increase (decrease) in commercial papers	58,000	100,000
Proceeds from long-term loans payable	35,642	14,307
Repayment of long-term loans payable	(17,491)	(10,545)
Cash dividends paid	(3,792)	(4,739)
Cash dividends paid to non-controlling interests	(502)	(896)
Net decrease (increase) in treasury shares	26	25
Other, net	(1,498)	(696)
Net cash provided by (used in) financing activities	83,540	150,409
Effect of exchange rate change on cash and cash equivalents	803	2,166
Net increase (decrease) in cash and cash equivalents	89,076	54,668
Cash and cash equivalents at beginning of the period	16,690	41,354
Cash and cash equivalents at end of the period	105,766	96,022