

# DIC Corporation

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## Consolidated Financial Results FY2021: Six Months Ended June 30

August 2021



Color & Comfort

## FY2021 six months results

- Consolidated net sales advanced. 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, despite concerns over the impact of a shortage of semiconductor devices in the automobile industry. Shipments of pigments for cosmetics showed signs of recovering. Sales of materials for use in daily necessities such as food packaging remained firm, particularly in overseas markets. As a consequence, sales were up in all segments.
- Operating income increased. This was despite the impact of elevated raw materials costs and was due to higher shipments across all segments, particularly of high-value-added products, as well as to efforts to adjust sales prices to counter higher raw materials prices.
- Net income attributable to owners of the parent was up. The principal factor was one-time costs associated with the acquisition of BASF SE's Colors & Effects business, which was completed on June 30, 2021.

## FY2021 forecasts

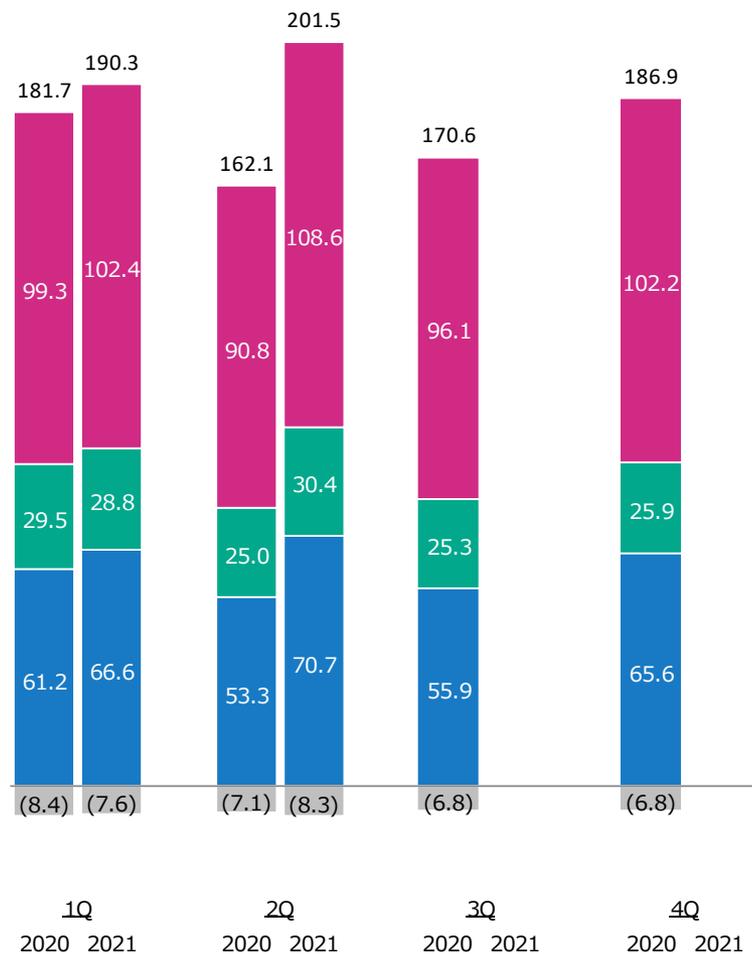
- DIC has revised its operating income forecast for fiscal year 2021 up to ¥48.0 billion. While full-term results will reflect the impact of one-time costs associated with the acquisition of the Colors & Effects business (inventory step-up\*) and of further increases in raw materials costs, shipments in the second half are expected to remain robust.
  - \* Reassessment of the fair value of inventories acquired; the step-up amount is added to cost of sales when the inventory ships.
- The Company's annual dividend forecast of ¥100 per share has not been revised.

The fiscal year of all overseas and domestic companies in the DIC Group ends on December 31. This document presents consolidated results for the first six months of fiscal year 2021, ended June 30, 2021.

# Quarterly trends in segment results

## Net sales

(Billion yen)



## Operating income

(Billion yen)

Progress rate as per the full year operating income forecast (48 billion yen)

	3M	6M	9M	FY
2021 (%)	29.1	56.9		
2020 (%)	28.4	51.0	73.1	113.3



Packaging & Graphic

Color & Display

Functional Products

Others, Corporate and eliminations

## Summary of financial results

(Billion yen)	2020 6 Months	2021 6 Months	% Change	% Change on a local currency basis
<b>Net sales</b>	343.7	<b>391.8</b>	+14.0%	+11.4%
<b>Operating income</b>	17.8	<b>27.3</b>	+53.1%	+48.9%
Operating margin	5.2%	<b>7.0%</b>	—	—
<b>Ordinary income</b>	15.6	<b>28.2</b>	+81.5%	—
<b>Net income*</b>	10.3	<b>16.0</b>	+55.1%	—
EPS (Yen)	109.18	<b>169.33</b>	—	—
<b>EBITDA**</b>	30.7	<b>38.2</b>	+24.5%	—
Average rate	YEN/US\$	108.03	<b>107.68</b>	-0.3%
	YEN/EUR	118.99	<b>129.63</b>	+8.9%

\* Net income attributable to owners of the parent

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

# Consolidated statement of income

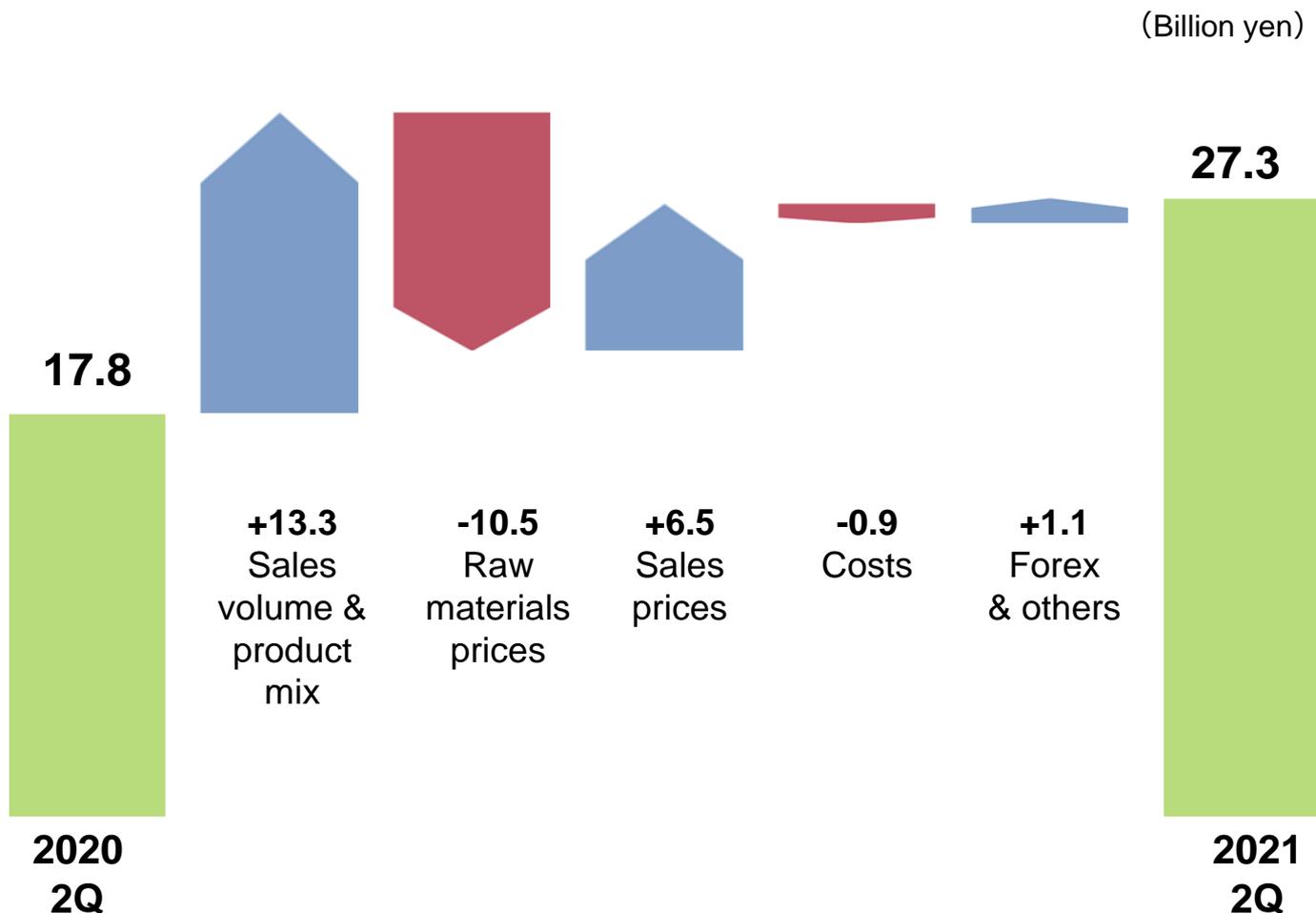
(Billion yen)	2020 6 Months	2021 6 Months	Change
<b>Net sales</b>	<b>343.7</b>	<b>391.8</b>	<b>48.0</b>
Cost of sales	(266.3)	(301.1)	-34.9
Selling, general and administrative expenses	(59.7)	(63.4)	-3.7
<b>Operating income</b>	<b>17.8</b>	<b>27.3</b>	<b>9.5</b>
Interest expenses	(0.5)	(0.4)	0.1
Equity in earnings (losses) of affiliates	(0.3)	0.9	1.2
Foreign exchange gains (losses)	(0.5)	0.5	1.0
Other, net	(0.9)	0.0	0.9
<b>Ordinary income</b>	<b>15.6</b>	<b>28.2</b>	<b>12.7</b>
Extraordinary income	3.1	1.1	-2.0
Extraordinary loss	(3.2)	(7.1)	-3.9
Income before income taxes	15.4	22.2	6.8
Income taxes	(3.9)	(5.0)	-1.2
Net income	11.5	17.2	5.7
Net income attributable to non-controlling interests	(1.2)	(1.2)	0.0
<b>Net income attributable to owners of the parent</b>	<b>10.3</b>	<b>16.0</b>	<b>5.7</b>
Average rate	YEN/US\$	108.03	107.68
	YEN/EUR	118.99	129.63

Extraordinary income and loss	2020 6 Months	2021 6 Months
<b>Extraordinary income</b>		
Gain on sales of subsidiaries' and affiliates' securities	-	0.8
Gain on sales of non-current assets	1.7	0.3
Gain on bargain purchase	1.3	-
<b>Extraordinary loss</b>		
Acquisition-related expenses*	(1.9)	(5.7)
Loss on disposal of non-current assets	(1.0)	(1.2)
Severance costs	(0.3)	(0.2)

\*Acquisition of the C&E business

# Operating income variance

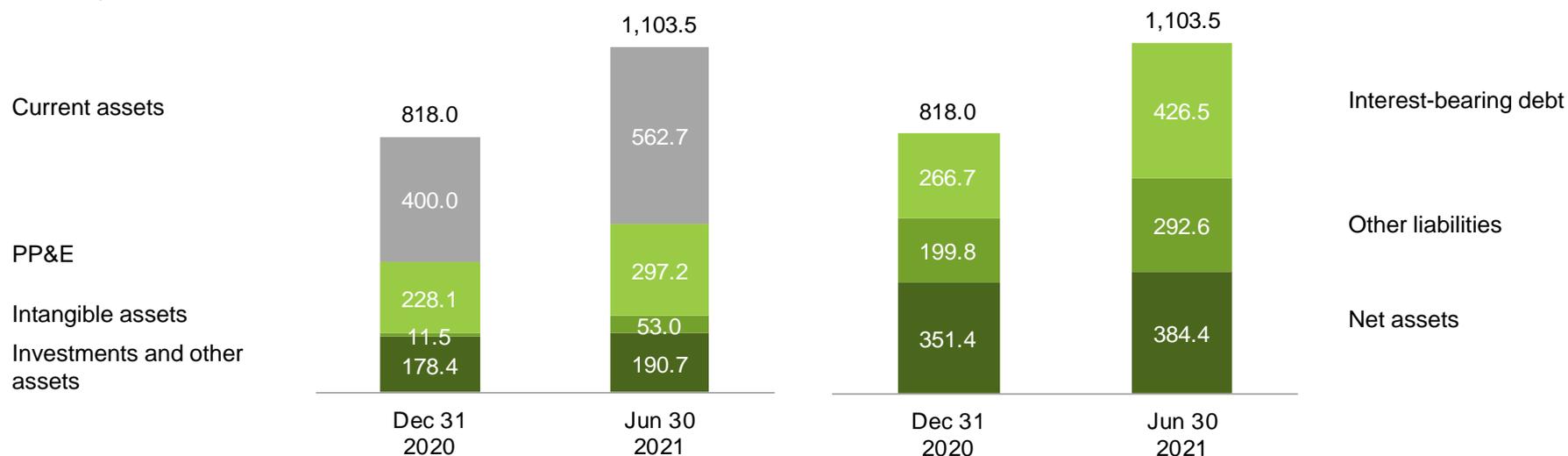
- In addition to a higher sales volume, sales of high-value-added products were brisk, resulting in an improvement in the product mix. Raw materials costs continued to increase sharply, particularly overseas, but efforts to counter this by adjusting sales prices proceeded.



# Financial health

## Balance sheet

(Billion yen)



## Financial health

(Billion yen)	Dec 31 2020	Jun 30 2021	Change
Interest-bearing debt	266.7	<b>426.5</b>	159.8
Net interest-bearing debt	221.9	<b>329.1</b>	107.3
Net assets	351.4	<b>384.4</b>	33.1
D/C ratio *	43.2%	<b>52.6%</b>	
Net D/C ratio **	38.7%	<b>46.1%</b>	
Equity ratio	38.9%	<b>31.8%</b>	
BPS (Yen)	3,364.92	<b>3,702.83</b>	
Closing rate (YEN/US\$)	103.14	<b>110.51</b>	



Interest-bearing debt was increased due to the acquisition of the C&E business.

\* D/C ratio: Interest-bearing debt / (Interest-bearing debt + Net assets)

\*\*Net D/C ratio: Net Interest-bearing debt / (Net Interest-bearing debt + Net assets)

# Segment results

(Billion yen)	Net sales					Operating income					Operating margin	
	2020 6 Months	2021 6 Months	Change	% Change	% Change on a local currency basis	2020 6 Months	2021 6 Months	Change	% Change	% Change on a local currency basis	2020 6 Months	2021 6 Months
<b>Packaging &amp; Graphic</b>	190.1	<b>211.0</b>	20.9	+ 11.0%	+ 8.3%	8.7	<b>10.5</b>	1.8	+ 20.5%	+ 19.4%	4.6%	<b>5.0%</b>
Japan	51.1	<b>55.1</b>	3.9	+ 7.7%	+ 7.7%	2.5	<b>2.6</b>	0.2	+ 6.7%	+ 6.7%	4.8%	<b>4.8%</b>
The Americas and Europe	115.9	<b>128.2</b>	12.3	+ 10.6%	+ 7.5%	4.6	<b>6.4</b>	1.8	+ 39.1%	+ 36.6%	3.9%	<b>5.0%</b>
Asia and Oceania	28.9	<b>34.7</b>	5.8	+ 20.0%	+ 14.5%	1.9	<b>1.8</b>	-0.1	-6.5%	-9.3%	6.6%	<b>5.1%</b>
Eliminations	(5.8)	<b>(6.9)</b>	-1.1	-	-	(0.2)	<b>(0.2)</b>	-0.0	-	-	-	-
<b>Color &amp; Display</b>	54.5	<b>59.2</b>	4.6	+ 8.5%	+ 6.7%	4.6	<b>7.0</b>	2.4	+ 52.2%	+ 46.5%	8.4%	<b>11.8%</b>
Japan	13.5	<b>14.0</b>	0.5	+ 3.8%	+ 3.8%	2.7	<b>3.4</b>	0.7	+ 25.8%	+ 25.8%	20.3%	<b>24.6%</b>
Overseas	44.9	<b>49.1</b>	4.2	+ 9.5%	+ 7.0%	1.9	<b>3.5</b>	1.6	+ 86.8%	+ 71.9%	4.2%	<b>7.2%</b>
Eliminations	(3.8)	<b>(4.0)</b>	-0.1	-	-	(0.0)	<b>0.0</b>	0.0	-	-	-	-
<b>Functional Products</b>	114.5	<b>137.4</b>	22.9	+ 20.0%	+ 17.5%	8.1	<b>14.1</b>	6.0	+ 74.2%	+ 70.7%	7.1%	<b>10.3%</b>
Japan	88.0	<b>97.8</b>	9.8	+ 11.1%	+ 11.1%	5.0	<b>8.9</b>	3.8	+ 76.0%	+ 76.0%	5.7%	<b>9.1%</b>
Overseas	36.8	<b>52.8</b>	16.1	+ 43.7%	+ 36.2%	3.1	<b>5.3</b>	2.2	+ 69.7%	+ 60.7%	8.5%	<b>10.0%</b>
Eliminations	(10.3)	<b>(13.3)</b>	-3.0	-	-	(0.1)	<b>(0.1)</b>	-0.0	-	-	-	-
Others, Corporate and eliminations	(15.4)	<b>(15.8)</b>	-0.4	-	-	(3.6)	<b>(4.3)</b>	-0.7	-	-	-	-
<b>Total</b>	343.7	<b>391.8</b>	48.0	+ 14.0%	+ 11.4%	17.8	<b>27.3</b>	9.5	+ 53.1%	+ 48.9%	5.2%	<b>7.0%</b>
YEN/US\$	108.03	<b>107.68</b>		-0.3%		108.03	<b>107.68</b>		-0.3%			
YEN/EUR	118.99	<b>129.63</b>		+ 8.9%		118.99	<b>129.63</b>		+ 8.9%			

# Packaging & Graphic

## Net sales

- Despite the declaration of a third state of emergency in Japan beginning on April 25, 2021, the impact on shipments was more limited than that of the first declaration in the six months ended June 30, 2020.
- In the Americas and Europe, shipments of packaging inks remained firm.
- Sales in Asia were up significantly from the corresponding period of fiscal year 2020, which saw sales dwindle as a consequence of COVID-19.

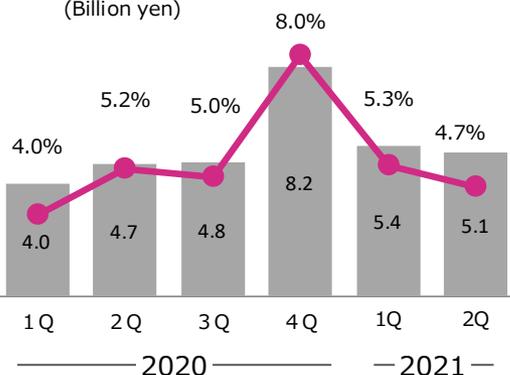
## Operating income

- Despite the impact of higher raw materials costs was felt, particularly overseas, operating income rose sharply, bolstered by efforts in the Americas and Europe to address this issue by adjusting sales prices. Robust shipments of jet inks, a high-value-added offering, also contributed.

(Billion yen)	Net sales					Operating income					Operating margin	
	2020 6 Months	2021 6 Months	Change	% Change	% Change on a local currency basis	2020 6 Months	2021 6 Months	Change	% Change	% Change on a local currency basis	2020 6 Months	2021 6 Months
<b>Packaging &amp; Graphic</b>	190.1	<b>211.0</b>	20.9	+ 11.0%	+ 8.3%	8.7	<b>10.5</b>	1.8	+ 20.5%	+ 19.4%	4.6%	<b>5.0%</b>
Japan	51.1	<b>55.1</b>	3.9	+ 7.7%	+ 7.7%	2.5	<b>2.6</b>	0.2	+ 6.7%	+ 6.7%	4.8%	<b>4.8%</b>
The Americas and Europe	115.9	<b>128.2</b>	12.3	+ 10.6%	+ 7.5%	4.6	<b>6.4</b>	1.8	+ 39.1%	+ 36.6%	3.9%	<b>5.0%</b>
Asia and Oceania	28.9	<b>34.7</b>	5.8	+ 20.0%	+ 14.5%	1.9	<b>1.8</b>	-0.1	-6.5%	-9.3%	6.6%	<b>5.1%</b>
Eliminations	(5.8)	<b>(6.9)</b>	-1.1	-	-	(0.2)	<b>(0.2)</b>	-0.0	-	-	-	-

## Operating income/margin

■ Operating income (Billion yen) ● Operating margin(%)



## Sales of principal products

(Billion yen)	% Change	
<b>Packaging inks*</b>	+ 6%	Shipments were firm in the Americas and Europe.
<b>Publication inks*</b>	+ 14%	Sales were up significantly from the corresponding period of fiscal year 2020, particularly the second quarter, during sales were hindered by COVID-19.
<b>Jet inks</b>	+ 38%	Sales benefited from the acquisition of a business engaged in the production of jet inks for digital printing on textiles, as well as by an increase in shipments for industrial applications, including outdoor signage, posters and banners, which rebounded after flagging in the corresponding period of the previous fiscal year.
<b>Polystyrene</b>	+ 30%	Sales volume rose sharply, underpinned by healthy demand from supermarkets, among others, for use in food packaging.
<b>Multilayer films</b>	-4%	Sales were down from the corresponding period of the previous fiscal year, which saw an increase in demand for use in food packaging products for home use due to COVID-19.

\*Change on a local currency basis

# Color & Display

## Net sales

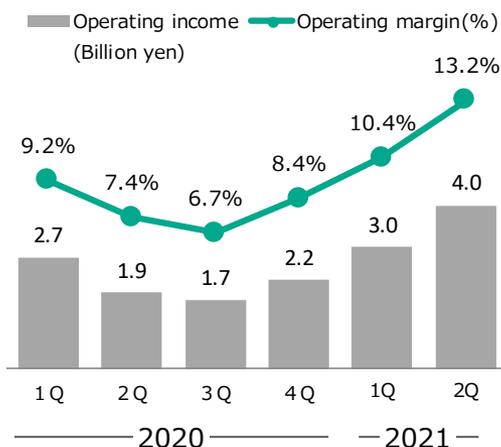
- Sales of pigments for coatings and plastics were steady.
- Shipments of pigments for color filters and effect pigments, particularly for specialty applications, were brisk, while those of pigments for cosmetics showed signs of a recovery.
- Sales of thin-film transistor liquid crystals (TFT LCs) fell, owing to intensified competition with manufacturers in the People's Republic of China (PRC).

## Operating income

- Operating income climbed, thanks to robust shipments of high-value-added products such as pigments for color filters and effect pigments, as well as to rationalization.

(Billion yen)	Net sales					Operating income					Operating margin	
	2020 6 Months	2021 6 Months	Change	% Change	% Change on a local currency basis	2020 6 Months	2021 6 Months	Change	% Change	% Change on a local currency basis	2020 6 Months	2021 6 Months
<b>Color &amp; Display</b>	54.5	<b>59.2</b>	4.6	+ 8.5%	+ 6.7%	4.6	<b>7.0</b>	2.4	+ 52.2%	+ 46.5%	8.4%	<b>11.8%</b>
Japan	13.5	<b>14.0</b>	0.5	+ 3.8%	+ 3.8%	2.7	<b>3.4</b>	0.7	+ 25.8%	+ 25.8%	20.3%	<b>24.6%</b>
Overseas	44.9	<b>49.1</b>	4.2	+ 9.5%	+ 7.0%	1.9	<b>3.5</b>	1.6	+ 86.8%	+ 71.9%	4.2%	<b>7.2%</b>
Eliminations	(3.8)	<b>(4.0)</b>	-0.1	-	-	(0.0)	<b>0.0</b>	0.0	-	-	-	-

## Operating income/margin



## Sales of principal products

(Billion yen)	% Change	
General-purpose pigments	+ 4%	Shipments of pigments for coatings and plastics were steady.
Functional pigments	+ 17%	Shipments of pigments for cosmetics trended up. Shipments of pigments for color filters and effect pigments remained brisk.
Liquid crystal (LC) materials	-24%	Sales of TFT LCs declined, owing to intense competition with manufacturers in the PRC.
Health foods	+ 11%	Shipments were robust in the United States.

# Functional Products

## Net sales

- Shipments were robust, led by products for use in automobiles and electronics equipment.

## Operating income

- Despite the impact of increasing raw materials costs, particularly in overseas markets, operating income rose sharply, reflecting brisk shipments of epoxy resins and other high-value-added products.

(Billion yen)	Net sales					Operating income					Operating margin	
	2020 6 Months	2021 6 Months	Change	% Change	% Change on a local currency basis	2020 6 Months	2021 6 Months	Change	% Change	% Change on a local currency basis	2020 6 Months	2021 6 Months
<b>Functional Products</b>	114.5	<b>137.4</b>	22.9	+ 20.0%	+ 17.5%	8.1	<b>14.1</b>	6.0	+ 74.2%	+ 70.7%	7.1%	<b>10.3%</b>
Japan	88.0	<b>97.8</b>	9.8	+ 11.1%	+ 11.1%	5.0	<b>8.9</b>	3.8	+ 76.0%	+ 76.0%	5.7%	<b>9.1%</b>
Overseas	36.8	<b>52.8</b>	16.1	+ 43.7%	+ 36.2%	3.1	<b>5.3</b>	2.2	+ 69.7%	+ 60.7%	8.5%	<b>10.0%</b>
Eliminations	(10.3)	<b>(13.3)</b>	-3.0	-	-	(0.1)	<b>(0.1)</b>	-0.0	-	-	-	-

## Operating income/margin



## Sales of principal products

(Billion yen)	% Change	
<b>Environment-friendly resins*</b>	+ 24%	Shipments were robust, particularly for resins for automotive applications.
<b>Epoxy resins</b>	+ 13%	Sales were brisk for use in onboard and electronics equipment.
<b>Polyphenylene sulfide (PPS) compounds</b>	+ 39%	Shipments were healthy, despite a shortage of semiconductor devices.
<b>Industrial tapes</b>	+ 31%	Shipments for use in smartphones and other mobile devices were strong.
<b>Hollow-fiber membrane modules</b>	+ 35%	Shipments for use in semiconductor fabrication were healthy.

\* 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.

# Consolidated balance sheet

(Billion yen)	Dec 31 2020	Jun 30 2021	Change
Current assets	400.0	562.7	162.7
Property, plant and equipment	228.1	297.2	69.1
Intangible assets	11.5	53.0	41.5
Investments and other assets	178.4	190.7	12.3
<b>Total assets</b>	<b>818.0</b>	<b>1,103.5</b>	<b>285.5</b>
Current liabilities	197.2	409.4	212.2
Non-current liabilities	269.4	309.7	40.3
<b>Total liabilities</b>	<b>466.6</b>	<b>719.1</b>	<b>252.5</b>
Shareholders' equity	409.0	420.3	11.3
Accumulated other comprehensive income	(90.5)	(69.8)	20.7
[Foreign currency translation adjustment]	[(82.3)]	[(59.8)]	[22.5]
Non-controlling interests	32.9	33.9	1.1
<b>Total net assets</b>	<b>351.4</b>	<b>384.4</b>	<b>33.1</b>
<b>Total liabilities and net assets</b>	<b>818.0</b>	<b>1,103.5</b>	<b>285.5</b>
Closing rate (YEN/US\$)	103.14	110.51	
Shareholders' equity to total assets	38.9%	31.8%	
Interest-bearing debt	266.7	426.5	159.8
Cash and deposits	44.9	97.4	52.5

# Consolidated statement of cash flows

(Billion yen)	2020 6 Months	2021 6 Months	Change
Cash flows from operating activities	23.3	30.4	7.1
Cash flows from investing activities	(18.5)	(128.3)	-109.8
Cash flows from financing activities	83.5	150.4	66.9
Cash and cash equivalents at end of the period	105.8	96.0	-9.7
<b>Free cash flow</b>	<b>4.7</b>	<b>(97.9)</b>	<b>-102.6</b>
Increase (decrease) in working capital	5.7	1.1	-4.5
Capital expenditure and investment	16.8	144.7	127.9
Depreciation and amortization	15.9	16.6	0.7



The acquisition of the C&E business.

## FY2021 forecasts: Full-term operating results

(Billion yen)	2020	2021 Forecast	% Change	% Change on a local currency basis
<b>Net sales</b>	701.2	<b>840.0</b>	+19.8%	+16.1%
<b>Operating income</b>	39.7	<b>48.0</b>	+21.0%	+15.8%
Operating margin	5.7%	<b>5.7%</b>	—	—
Ordinary income	36.5	<b>47.5</b>	+30.3%	—
<b>Net income*</b>	13.2	<b>22.0</b>	+66.3%	—
EPS (Yen)	139.81	<b>232.42</b>	—	—
<b>EBITDA**</b>	55.6	<b>70.3</b>	+26.4%	—
Capital expenditure and investment	37.1	<b>187.0</b>	+403.9%	
Depreciation and amortization	32.6	<b>36.0</b>	+10.5%	
Average rate	YEN/US\$	106.37	<b>109.00</b>	+2.5%
	YEN/EUR	121.43	<b>131.00</b>	+7.9%
ROE	4.2%	<b>6.6%</b>		
D/C ratio ***	43.2%	<b>50.0%</b>		
Annual dividends per share (Yen)	100.0	<b>100.0</b>		
Payout ratio	71.5%	<b>43.0%</b>		

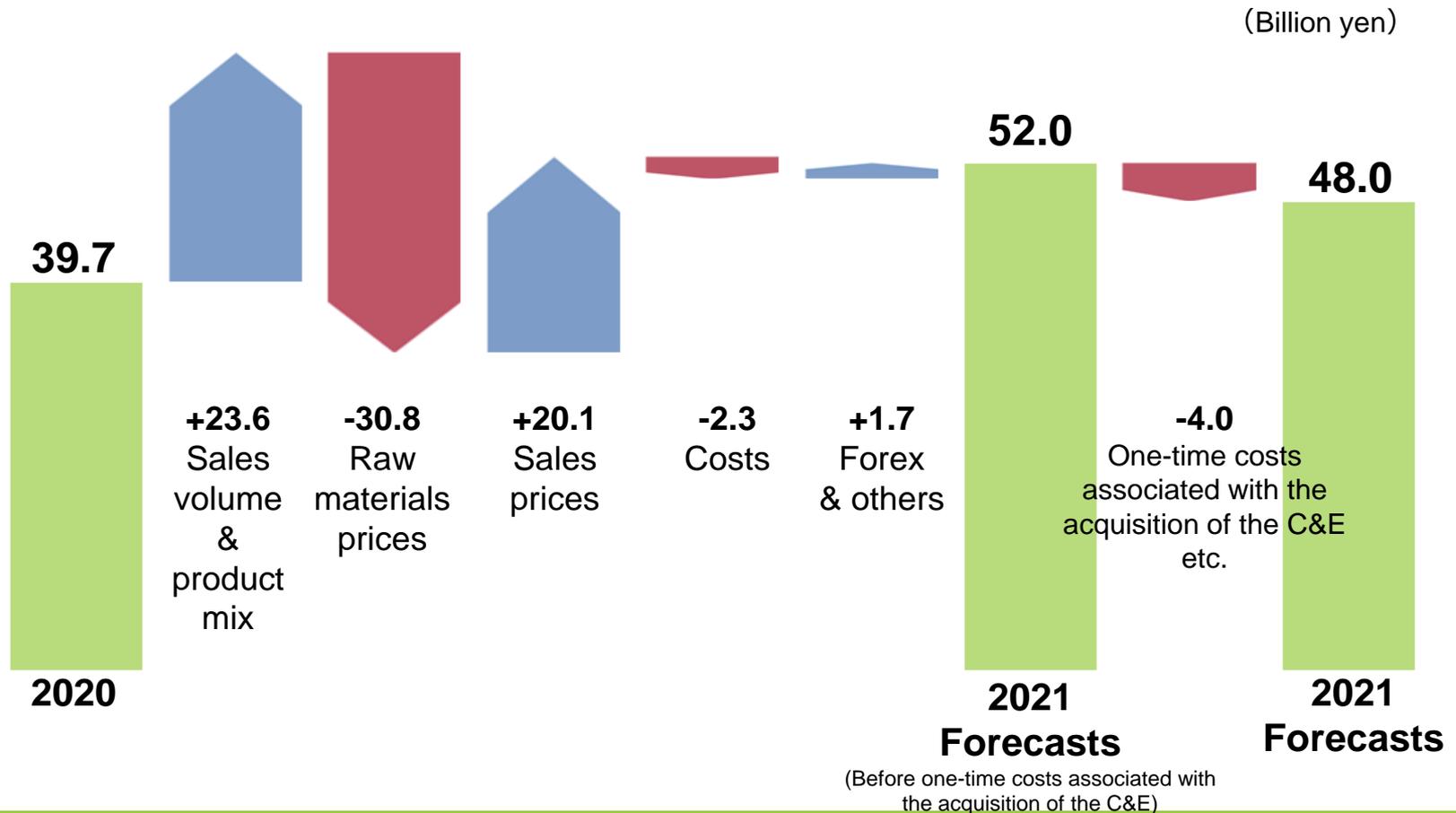
\* Net income attributable to owners of the parent

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

\*\*\* D/C ratio: Interest-bearing debt / (Interest-bearing debt + Net assets)

# Operating income variance

- Shipments are expected to remain firm in the second half. Accordingly, DIC has revised its operating income forecast upwards.
- Owing to incurrence of one-time costs associated with the acquisition of the Colors & Effects business (an increase in cost of sales due to inventory step-up), the extent of the upward revision is moderate.



## FY2021 forecasts: Full-term segment results

- The addition of six months' worth of sales of the Colors & Effects business are incorporated into forecast for the Color & Display segment.

(Billion yen)	Net sales					Operating income					Operating margin	
	2020	2021 Forecast	Change	% Change	% Change on a local currency basis	2020	2021 Forecast	Change	% Change	% Change on a local currency basis	2020	2021 Forecast
<b>Packaging &amp; Graphic</b>	388.4	<b>430.5</b>	42.1	+ 10.8%	+ 6.3%	21.8	<b>21.9</b>	0.1	+ 0.5%	-3.9%	5.6%	<b>5.1%</b>
Japan	102.3	<b>112.2</b>	9.8	+ 9.6%	+ 9.6%	5.3	<b>5.7</b>	0.4	+ 7.3%	+ 7.3%	5.2%	<b>5.1%</b>
The Americas and Europe	235.4	<b>262.3</b>	26.9	+ 11.4%	+ 5.6%	12.2	<b>12.8</b>	0.6	+ 5.1%	-1.3%	5.2%	<b>4.9%</b>
Asia and Oceania	62.0	<b>69.6</b>	7.6	+ 12.3%	+ 5.5%	4.4	<b>3.5</b>	-1.0	-21.8%	-26.9%	7.1%	<b>5.0%</b>
Eliminations	(11.4)	<b>(13.6)</b>	-2.3	-	-	(0.1)	<b>(0.1)</b>	0.1	-	-	-	-
<b>Color &amp; Display</b>	105.8	<b>170.8</b>	65.0	+ 61.4%	+ 58.5%	8.4	<b>8.4</b>	-0.0	-0.0%	-4.4%	8.0%	<b>4.9%</b>
Japan	27.9	<b>32.2</b>	4.2	+ 15.2%	+ 15.2%	5.6	<b>6.6</b>	1.0	+ 17.2%	+ 17.2%	20.0%	<b>20.4%</b>
Overseas	85.2	<b>146.0</b>	60.7	+ 71.2%	+ 67.4%	2.8	<b>1.9</b>	-0.9	-33.5%	-44.4%	3.3%	<b>1.3%</b>
Eliminations	(7.4)	<b>(7.3)</b>	0.0	-	-	0.0	<b>0.0</b>	-0.0	-	-	-	-
<b>Functional Products</b>	236.0	<b>269.3</b>	33.3	+ 14.1%	+ 11.8%	17.1	<b>26.1</b>	9.0	+ 52.6%	+ 49.8%	7.2%	<b>9.7%</b>
Japan	176.1	<b>193.8</b>	17.6	+ 10.0%	+ 10.1%	8.3	<b>16.4</b>	8.1	+ 96.7%	+ 96.7%	4.7%	<b>8.5%</b>
Overseas	80.9	<b>101.1</b>	20.2	+ 25.0%	+ 18.0%	8.7	<b>9.7</b>	1.0	+ 11.2%	+ 5.3%	10.8%	<b>9.6%</b>
Eliminations	(21.0)	<b>(25.6)</b>	-4.6	-	-	0.1	<b>0.0</b>	-0.0	-	-	-	-
Others, Corporate and eliminations	(29.0)	<b>(30.6)</b>	-1.6	-	-	(7.6)	<b>(8.4)</b>	-0.8	-	-	-	-
<b>Total</b>	701.2	<b>840.0</b>	138.8	+ 19.8%	+ 16.1%	39.7	<b>48.0</b>	8.3	+ 21.0%	+ 15.8%	5.7%	<b>5.7%</b>
YENUS\$	106.37	<b>109.00</b>		+ 2.5%		106.37	<b>109.00</b>		+ 2.5%			
YENEUR	121.43	<b>131.00</b>		+ 7.9%		121.43	<b>131.00</b>		+ 7.9%			

## FY2001 forecasts: Full-term segment results (supplementary information)

Break down of 2021 full-term forecast for the Color & Display segment (Billion yen)

	Net sales				Operating income			
	2020	2021 Forecast	Change	% Change	2020	2021 Forecast	Change	% Change
Color & Display	105.8	170.8	65.0	+61.4%	8.4	8.4	-0.0	-0.0%
Existing Businesses	113.2	118.1	5.0	-	8.4	12.4	4.0	-
C&E	-	60.0	60.0	-	-	0.5	0.5	-
One-time costs	-	-	-	-	-	(4.5)	-4.5	-
Eliminations	(7.4)	(7.3)	0.0	-	0.0	0.0	-0.0	-

- The addition of six months' worth of sales of the Colors & Effects business are incorporated into the fiscal year 2021 full-term forecast for the Color & Display segment.
- The Colors & Effects business is expected to report sales of ¥60 billion and operating income, including amortization of goodwill, among others, of ¥0.5 billion. Because demand in advance of the blackout period at the time of business integration was brought forward to the first half, and because seasonal factors mean sales—and thus operating income—in pigments businesses tends to be lower in the second half than in the first, DIC does not expect the Colors & Effects business to begin contributing fully to consolidated operating results until fiscal year 2022.
- DIC expects to incur one-time costs (an increase in cost of sales due to the inventory step-up) of ¥4.5 billion in the second half. This will be amortized completely in fiscal year 2021, so will not affect results in fiscal year 2022 or beyond.

## Acquisition of BASF's Colors & Effects business: Overview of the acquired business

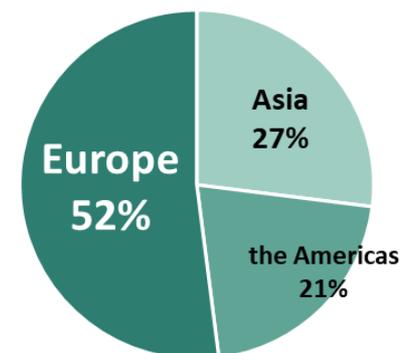
### DIC has completed its acquisition of BASF SE's Colors & Effects business on June 30

- Purchase price (unadjusted): €1,010million (approx. ¥128.9 billion) (Exchange rate used for calculation: €1.00= ¥127.58) (Post-closing adjustments are pending. Accordingly, the actual final purchase price may differ from this amount.)
- Method used to procure funds for acquisition: Bank loans  
(Thanks to procurement of ¥60 billion through a subordinated term loan, DIC expects to maintain its debt-to-capital ratio at 50% in fiscal year 2021.)
- This acquisition will cement DIC's position as a leader in the global pigments industry.
- By expanding DIC's portfolio of high-value-added products and optimizing its operations, this acquisition will accelerate Value Transformation.

### Overview of the Colors & Effects business

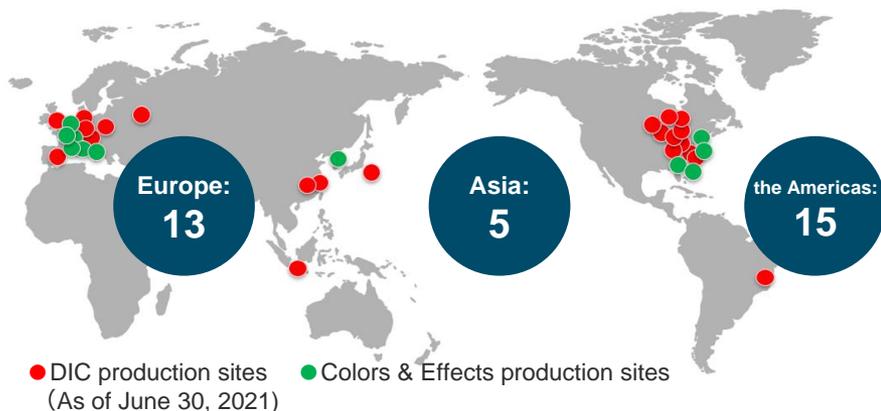
- One of the world's premier manufacturers of high-performance pigments, effect pigments (pearlescent pigments for cosmetics) and specialty inorganic pigments
- Number of employees: Approx. 2,600
- Production sites: 11
- R&D laboratories: 4
- Operations are centered in Europe; the Colors & Effects business supplies more than 5,000 companies in 120-plus countries and territories worldwide

Geographical Breakdown of the Colors & Effects Business' Sales (Based on Results for 2020)

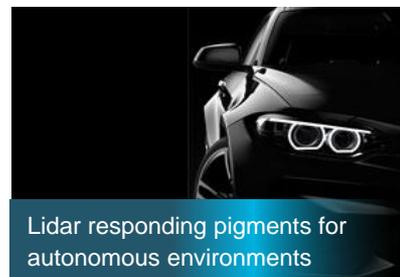


# Acquisition of BASF's Colors & Effects Business: After business integration

## A global supply configuration (sites in 16 countries)

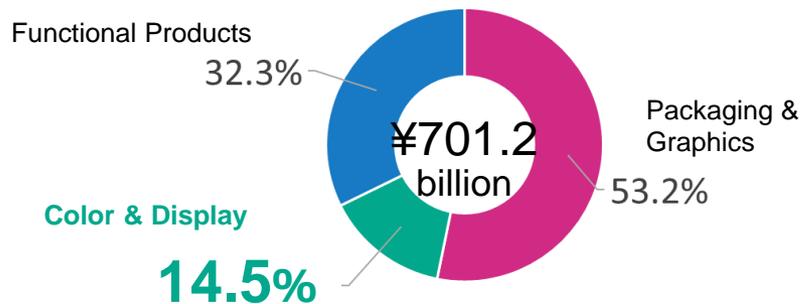


## Unrivalled development capabilities thanks to the fusion of the two companies' proprietary technologies and intellectual property

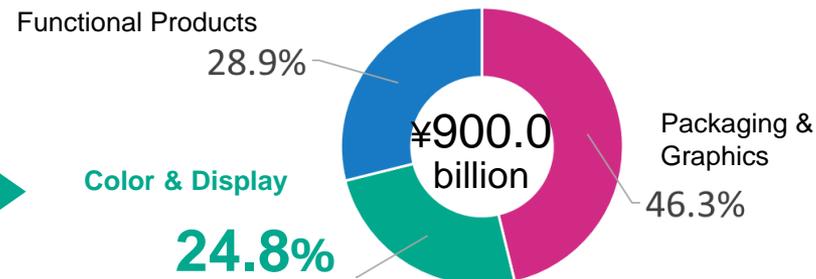


## Transformation of the Color & Display business into a major pillar of the DIC Group's operations

Breakdown of Fiscal Year 2020 Net Sales by Segment



Anticipated Breakdown of Annual Net Sales by Segment after Integration

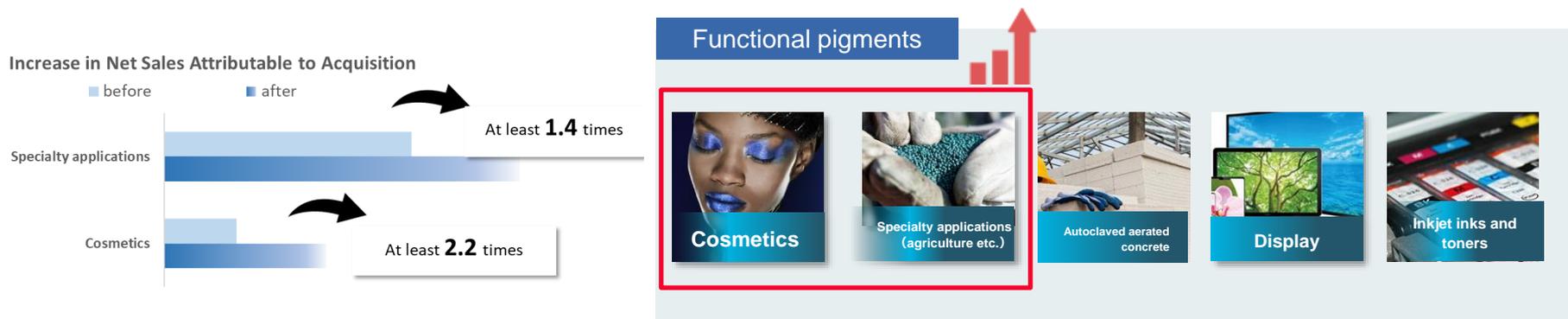


Note: Calculation made by doubling the Colors & Effects business' projected net sales for fiscal year 2021 second half.

## Acquisition of BASF's Colors & Effects Business: After business integration

### The addition of high-value-added products is expected to boost profitability.

- ◆ In the area of functional pigments, the addition of effect pigments (pearlescent pigments) will significantly expand the DIC Group's portfolio of pigments for cosmetics and specialty applications (agriculture, etc.), which are major growth drivers.



- ◆ In the area of general-purpose pigments, sales for use in industrial, construction-use and automotive coatings are increasing. The acquisition of the Colors & Effects business will particularly expand the Group's presence in the market for pigments for automotive coatings by broadening its product portfolio and improving its R&D capabilities.



# Pigments business product portfolio by application

▶ **An expanded scale will transform coatings into a core business. An expanded lineup of high-value-added products, including pigments for cosmetics and pigments for specialty applications, will accelerate Value Transformation.**

Product development that leverages materials offered by the Colors & Effects business

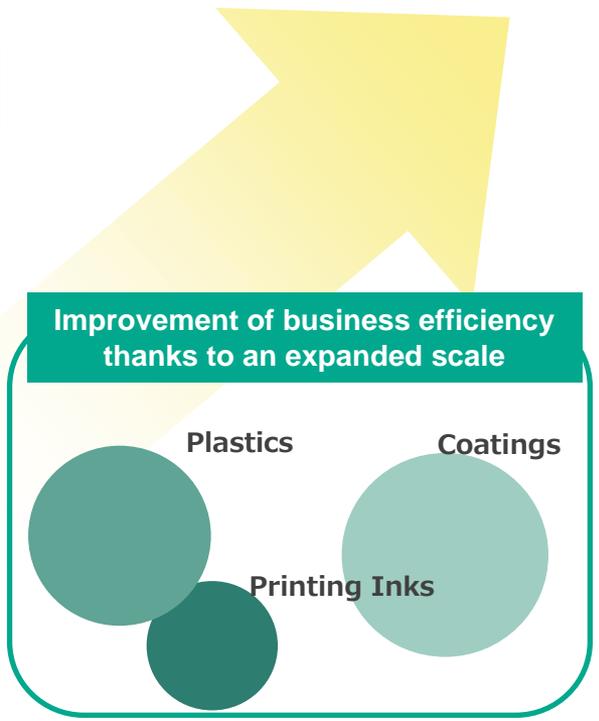
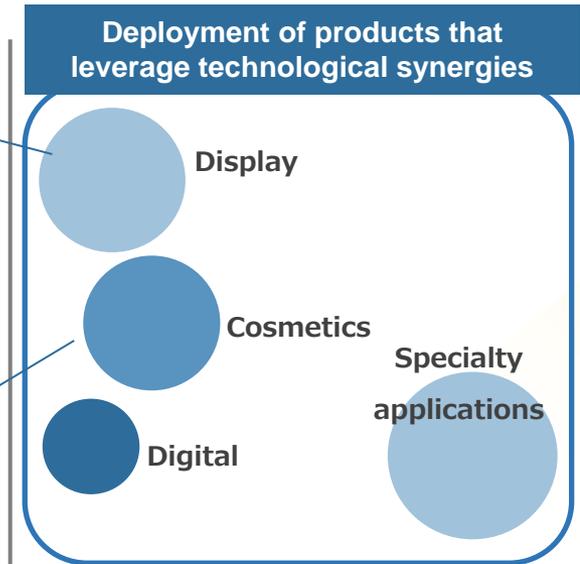


Expansion of product groups and applications



Differences in scale and profitability by application

Profitability



Business scale

# Synergies expected from business integration: Value Transformation roadmap

1

From July 2021

**Expansion of markets and applications**

**Development of complementary products and materials**

- Improve ability to propose solutions to global customers
- Add depth to / expand pigments for cosmetics and pigments for specialty applications

**Improvement of R&D and product development capabilities through the integration of technologies and intellectual property**

- Launch development projects (pigments for displays, pigments for cosmetics, pigments for automotive coatings, inorganic materials, others)

**Optimization of operations**

- Prioritize smooth business transfer that considers the customer's perspective
- Reorganize production bases (Divest Bushy Park facility, etc.)

- Rationalize operations by promoting joint purchasing, integrating distribution and sales bases, among others
- Rationalize operations through in-house production of raw materials, among others

2

2022-2024

- Expand equipment for strategic products
- Realize sales synergies (pigments for displays, pigments for cosmetics, pigments for automotive coatings, inorganic materials, others)

- Realize technological synergies by launching new products
  - Develop new technologies to further advance Value Transformation

- Promote the standardization of global supply chain management and other business platforms

3

2025 and beyond

- Get products that leverage synergies on track

## Major topics (April to June 2021)

Apr DIC develops cobalt-free driers for coatings and inks that comply with European environmental regulations.

Apr DIC commences sales of hybrid inorganic antiviral and antibacterial agent *WILMISH*<sup>™</sup>.

Apr DIC invests in Israeli biotech startup Vaxa Technologies.

May DIC begins sales of *GROSSA BM* alcohol- and oil-resistant surface biomass printing gravure inks and high-performance antimicrobial varnish.  
—Expected to support post-pandemic lifestyles and will contribute to the sustainability of packaging materials—

News Releases  
<https://www.dic-global.com/en/news/2021/>



## Major topics (April to June 2021)

May

DIC commences collaboration with major bread producer to expand use of materials recycling for flexible packaging film waste.

—Promoting the advanced recycling of flexible packaging materials incorporating advanced deinking technologies to help realize the effective recycling of plastic resources—

Jun

New seed film for fabricating wiring on high-frequency printed wiring boards developed by DIC and Taiyo Ink Mfg. wins 53rd JCIA Technology Award Special Technology Prize.

—Acclaimed as a technology that will reduce transmission loss in the high-frequency bands used for 5G—

Jun

The DIC Group revises its long-term target for the reduction of CO<sub>2</sub> emissions in line with its new goal of achieving carbon neutrality by 2050.

—Reduce CO<sub>2</sub> emissions 50% by fiscal year 2030 through the introduction of an in-house carbon pricing system—

Jun

DIC Report 2021 (Summary version) is published.

Jun

The DIC Group finalizes acquisition of BASF's global pigments business.



# Business segments and principal products

## Packaging & Graphic



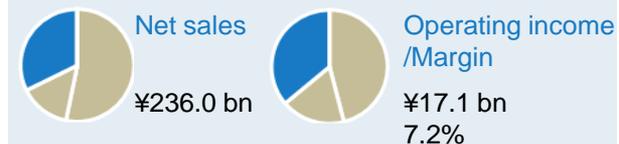
Packaging materials that bring safety and peace of mind

## Color & Display



Color and display materials that make life colorful

## Functional Products



Functional products that add comfort



Security inks

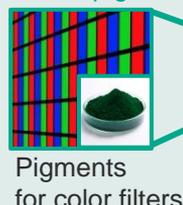


Jet inks



Publication inks

### Functional pigments



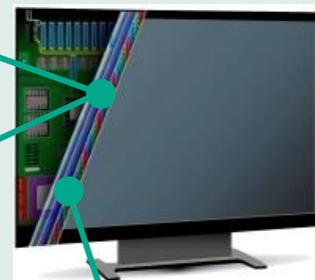
Pigments for color filters



Pigments for cosmetics



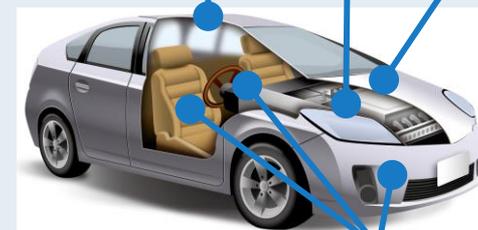
Effect pigments



Liquid crystal materials



Natural colorants



Environment-friendly products\*



Epoxy resins



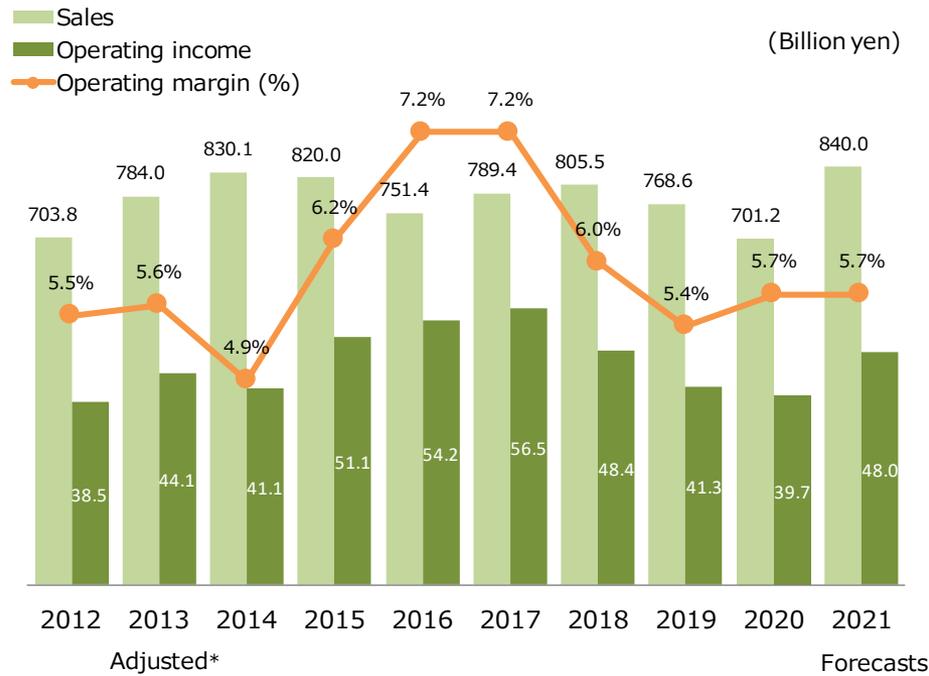
Hollow-fiber membrane modules

Note: Fiscal year 2020 actual

\*Waterborne resins, UV-curable resins, Polyester resins, Acrylic resins, Urethane resins

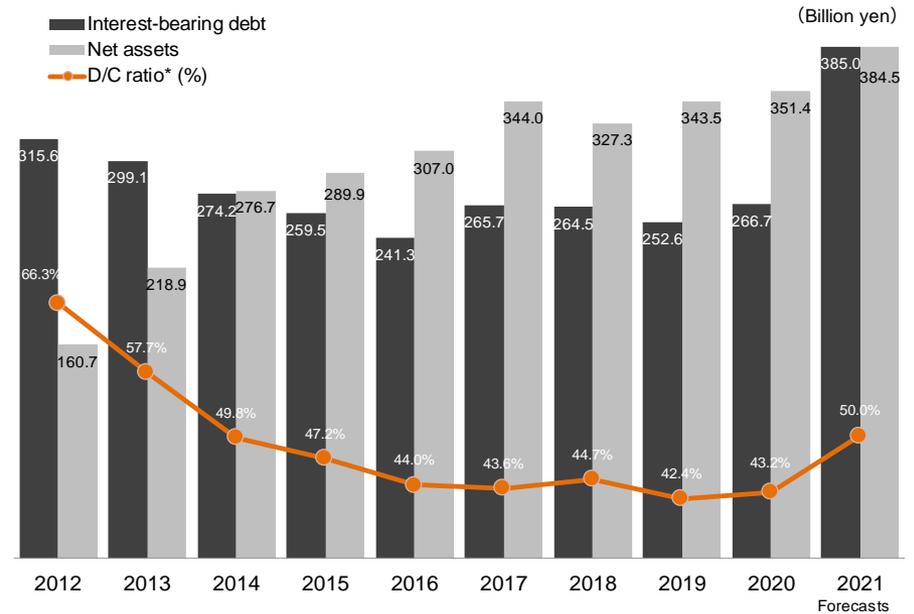
# Historical performance data (Reference)

## Operating results



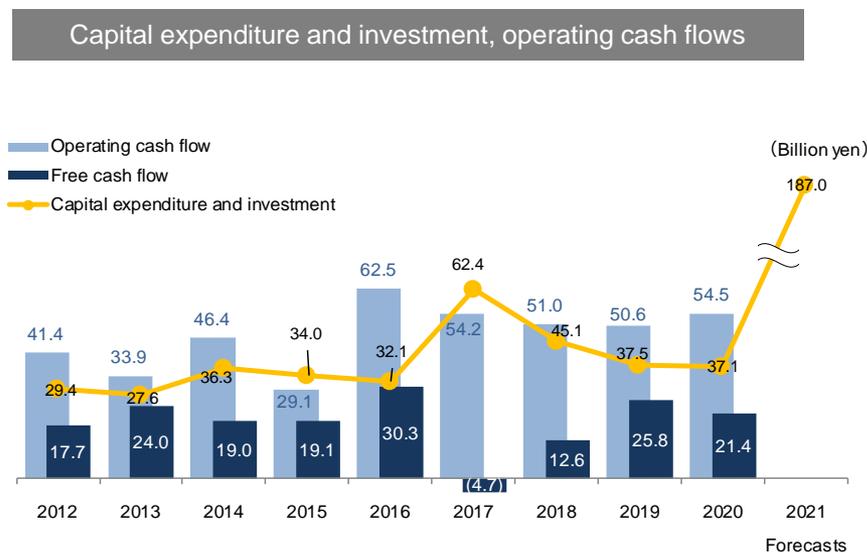
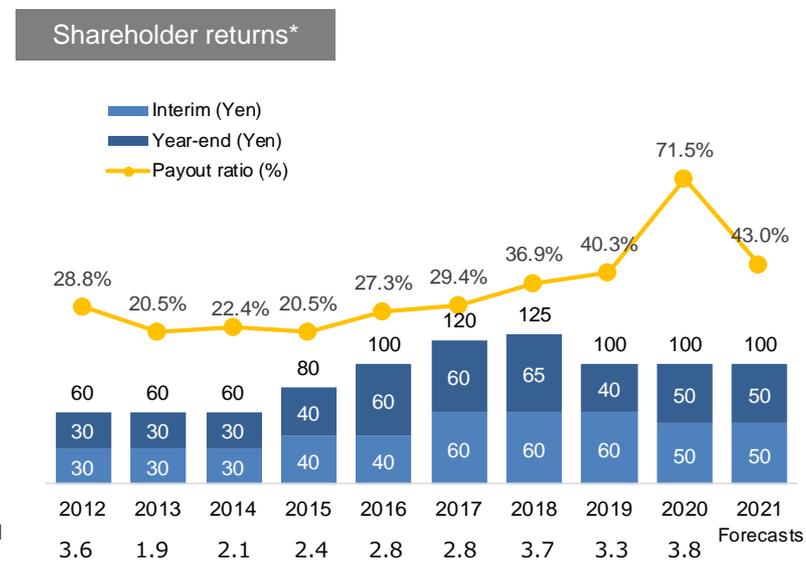
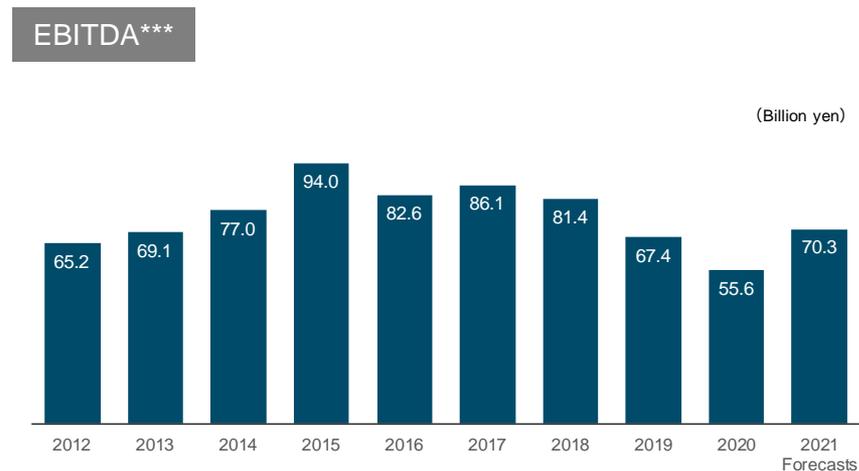
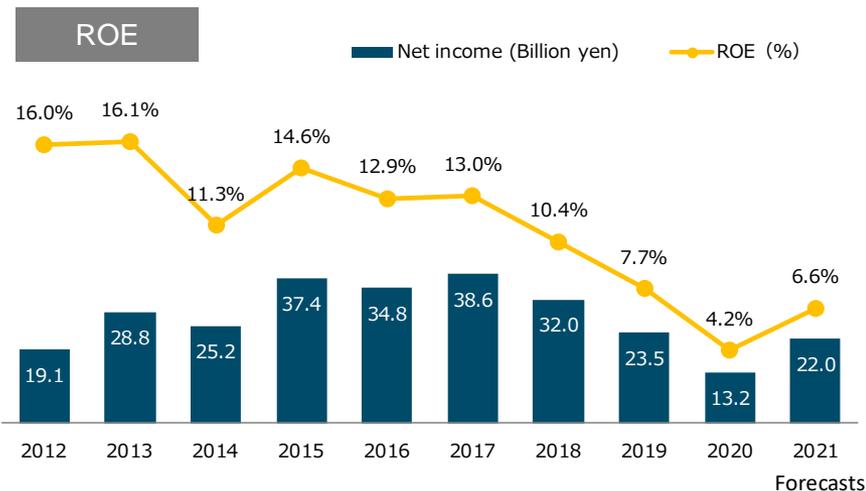
\* Adjusted to reflect the impact of the changes in the fiscal year-end

## Financial health



\* D/C ratio: Interest-bearing debt / (Interest-bearing debt + Net assets)

# Historical performance data (Reference)



\* Adjusted to reflect the impact of the consolidation of shares of common stock

\*\* Dividend yield: Annual dividends / Closing price per share at fiscal year-end

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

# ESG External Assessments (Reference)

ESG investment indices in which DIC is included



MSCI Japan Empowering Women Index (WIN)



MSCI Japan ESG Select Leaders Index



FTSE Blossom Japan

Member of

**Dow Jones Sustainability Indices**

Powered by the S&P Global CSA





# Color & Comfort

## **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 materially 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.