

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

November 12, 2021
Stock Exchange: Tokyo
Head Office: Tokyo
Tel: +81 (3) 6733-3000

Company Name: DIC Corporation

Listing Code Number: 4631

Scheduled Filing Date of Securities Report: November 12, 2021

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.)

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2021 (January 1, 2021 – September 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)	%
Nine months ended September 30, 2021	615,842	19.7	33,259	30.0	33,902	47.6	15,285	9.9
Nine months ended September 30, 2020	514,308	-10.8	25,577	-13.2	22,965	-23.4	13,913	-24.1

Note: Comprehensive income (JPY million): Nine months ended September 30, 2021 39,991 (497.0%)
Nine months ended September 30, 2020 6,699 (-24.6%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Nine months ended September 30, 2021	161.48	—
Nine months ended September 30, 2020	146.99	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of September 30, 2021	1,166,488	380,403	29.7
As of December 31, 2020	817,950	351,364	38.9

Reference: Shareholders' equity (JPY million): As of September 30, 2021 346,382 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	860,000	22.6	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" on page 5.

Notes

(1) Changes in the scope of consolidation for significant subsidiaries during the nine months ended September 30, 2021: Yes

New consolidated subsidiaries: Colors & Effects USA LLC

(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 September 30, 2021	95,156,904 shares,	As of December 31, 2020	95,156,904 shares
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2) Number of treasury shares at the end of the period

As of September 30, 2021	501,196 shares,	As of December 31, 2020	506,322 shares
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3) Average number of shares issued during the period, excluding treasury shares

For the nine months ended September 30, 2021	94,655,339 shares,	For the nine months ended September 30, 2020	94,650,497 shares
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* Since the fiscal year ended December 31, 2017, the Company has introduced the Board Benefit Trust (BBT). The shares held by the trust are included in the number of treasury shares.

Note: **Quarterly consolidated financial results in this report are not subject to quarterly review procedures conducted by certified public accountants or audit firms.**

Note: **Explanation of the appropriate use of performance forecasts, and other special items**

Caution concerning forward-looking statements

The above forecasts of future performance are based on information available to the Company at the present time and are subject to potential risks and uncertainty. Accordingly, the users should be aware that actual results may differ from any expressed future performance herein due to various factors.

For information regarding the assumptions used to prepare the forecasts, please refer to page 5.

Analysis of Results of Operations

(1) Overview of Operating Results

(Billions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change (%)	Change (%) [Local currency basis]
Net sales	514.3	615.8	19.7%	16.5%
Operating income	25.6	33.3	30.0%	27.5%
Ordinary income	23.0	33.9	47.6%	—
Net income attributable to owners of the parent	13.9	15.3	9.9%	—
EBITDA *	43.6	51.3	17.5%	—
¥/US\$1.00 (Average rate)	107.16	108.50	1.3%	—
¥/EUR1.00 (Average rate)	120.49	129.68	7.6%	—

* 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, 2021, consolidated net sales advanced 19.7%, to ¥615.8 billion. If the results of the C&E pigments business (formerly BASF SE's Colors & Effects business), included in the scope of consolidation since July 2021, were discounted, the increase would have been 15.8%. With progress in the drive to vaccinate people against COVID-19, the efforts of countries around the world to balance the need to curb the pandemic with the exigence of maintaining economic activity began to yield positive results. Against a backdrop of buoyant digital-related demand worldwide, shipments remained robust, including those of high-value-added products such as materials for use in semiconductor devices and in electrical and electronics equipment. Shipments of materials for use in daily necessities such as food packaging stayed firm, while those of pigments for cosmetics showed signs of recovering, owing to the relaxation of pandemic-related restrictions on the movement of people in a number of countries. While shipments of materials for automotive applications were firm overall, certain products and regions felt the impact of falling automobile production, a result of semiconductor device shortages and the imposition of lockdowns.

Operating income, at ¥33.3 billion, was up 30.0%. If the impact of the C&E pigments business was excluded, the gain would have been 55.0%. This was despite the heightened impact of elevated raw materials costs, a consequence of rising crude oil prices, among others, and higher logistics costs, attributable to supply chain stagnation, in the third quarter (July–September 2021), and reflected ongoing efforts to reduce the influence of this factor by boosting shipments in all segments, particularly of high-value-added products, and by adjusting sales prices. Nonetheless, operating income growth was hindered by one-time costs associated with the integration of the C&E pigments business, among others.

Ordinary income climbed 47.6%, to ¥33.9 billion, reflecting an increase in equity in earnings of affiliates and foreign exchange gains.

Net income attributable to owners of the parent rose 9.9%, to ¥15.3 billion.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 17.5%, to ¥51.3 billion.

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change (%)	Change (%) 〔Local currency basis〕	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change (%)	Change (%) 〔Local currency basis〕
Packaging & Graphic	286.2	322.4	12.6%	9.5%	13.5	16.1	18.5%	16.9%
Color & Display	79.9	109.1	36.6%	32.5%	6.3	3.2	-49.7%	-46.5%
Functional Products	170.4	208.5	22.4%	19.7%	11.2	20.4	81.7%	77.7%
Others, Corporate and eliminations	(22.2)	(24.2)	—	—	(5.5)	(6.4)	—	—
Total	514.3	615.8	19.7%	16.5%	25.6	33.3	30.0%	27.5%

Packaging & Graphic

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥286.2 billion	¥322.4 billion	12.6%	9.5%
Operating income	¥13.5 billion	¥16.1 billion	18.5%	16.9%

Segment sales rose 12.6%, to ¥322.4 billion. In materials for food packaging, sales of packaging inks were bolstered by the continued expansion of shipments in the Americas and Europe, and the limited impact of another state-of-emergency declaration in Japan. Sales of publication inks, which center on publishing inks and news inks were also up—despite a decline in Japan for commercial printing, notably pamphlets and event-related printed materials—thanks to persistently 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 increased sharply, buttressed by brisk sales for industrial applications, including outdoor signage (billboards and posters) and banners, and for commercial printing, 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 18.5%, to ¥16.1 billion. Notwithstanding a decrease in Asia, ongoing efforts to counter the heightened impact of elevated raw materials costs—a result of rising raw materials prices, particularly overseas—underpinned an overall increase in operating income.

Color & Display

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change (%)	Change (%) [Local currency basis]
Net sales	¥79.9 billion	¥109.1 billion	36.6%	32.5%
Operating income	¥6.3 billion	¥3.2 billion	-49.7%	-46.5%

Segment sales climbed 36.6%, to ¥109.1 billion. If the impact of the C&E pigments business was excluded, the increase would have been 11.5%. Among existing businesses, 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. In addition to amplified results in these existing businesses, segment sales were bolstered by the inclusion of the results of the C&E pigments business.

Segment operating income fell 49.7%, to ¥3.2 billion. If the impact of the C&E pigments business was disregarded, this would have been a gain of 51.9%. Despite a recovery in shipments of pigments for cosmetics and persistently firm shipments of high-value-added products such as pigments for color filters and effect pigments, a variety of factors, including one-time costs associated with the integration of the C&E pigments business incurred in the third quarter, combined to push operating income down.

Functional Products

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change (%)	Change (%) [Local currency basis]
Net sales	¥170.4 billion	¥208.5 billion	22.4%	19.7%
Operating income	¥11.2 billion	¥20.4 billion	81.7%	77.7%

Segment sales advanced 22.4%, to ¥208.5 billion. Shipments of epoxy resins, the principal application for which is semiconductor devices, were brisk overall for use as sealing materials in electronics equipment. Shipments of industrial-use tapes, used primarily in smartphones and other mobile devices, were firm. Sales of all environment-friendly resins* increased, led by robust shipments of products for a wide range of applications, including electrical and electronics equipment, and building materials, although shipments of certain materials for use in automobiles in Asia flagged. 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, as orders remained firm, although concerns remained over the impact of a shortage of semiconductor devices in the automobile industry.

Segment operating income leapt 81.7%, to ¥20.4 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 August 10, 2021, as indicated below.

(Billions of yen)

	FY2020	FY2021	Change (%)	Change (%) [Local currency basis]
Net sales	701.2	860.0 [840.0]	22.6%	18.9%
Operating income	39.7	48.0	21.0%	18.8%
Ordinary income	36.5	47.5	30.3%	—
Net income attributable to owners of the parent	13.2	22.0	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 August 10, 2021.

Reasons for Revision of Operating Results Forecasts

The DIC Group continues working to respond to elevated raw materials costs worldwide, a consequence of rising crude oil prices, among others, as well as higher logistics costs, attributable to supply chain stagnation, by adjusting sales prices for its various products in all markets. Owing to the progress of these efforts, sales prices have risen, as a result of which sales are expected to increase. In light of this factor, DIC has revised its full-term net sales forecast 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 September 30, 2021
(Assets)		
Current assets		
Cash and deposits	44,885	161,790
Notes and accounts receivable-trade	197,595	229,546
Merchandise and finished goods	78,273	127,655
Work in process	9,065	10,484
Raw materials and supplies	55,058	82,047
Other	24,294	25,437
Allowance for doubtful accounts	(9,171)	(9,314)
Total current assets	399,997	627,645
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	86,885	106,045
Machinery, equipment and vehicles, net	67,386	96,709
Tools, furniture and fixtures, net	10,468	15,040
Land	51,362	60,536
Construction in progress	11,977	15,603
Total property, plant and equipment	228,078	293,933
Intangible assets		
Goodwill	819	17,491
Software	2,963	3,093
Customer-related assets	2,853	6,467
Other	4,877	25,575
Total intangible assets	11,512	52,625
Investments and other assets		
Investment securities	57,201	56,575
Net defined benefit asset	63,784	67,779
Other	58,112	68,679
Allowance for doubtful accounts	(734)	(748)
Total investments and other assets	178,363	192,285
Total non-current assets	417,953	538,844
Total assets	817,950	1,166,488

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2020	As of September 30, 2021
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	95,263	131,658
Short-term loans payable	37,371	52,767
Commercial papers	—	100,000
Current portion of bonds payable	—	20,000
Income taxes payable	4,985	3,068
Provision for bonuses	5,480	5,423
Other	54,082	72,414
Total current liabilities	197,181	385,331
Non-current liabilities		
Bonds payable	100,000	140,000
Long-term loans payable	123,766	171,145
Net defined benefit liability	17,071	43,224
Asset retirement obligations	1,691	1,773
Other	26,877	44,612
Total non-current liabilities	269,405	400,754
Total liabilities	466,586	786,085
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,468	94,468
Retained earnings	219,778	225,584
Treasury shares	(1,800)	(1,777)
Total shareholders' equity	409,003	414,832
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,903	5,763
Deferred gains or losses on hedges	2,468	15
Foreign currency translation adjustment	(82,321)	(59,917)
Remeasurements of defined benefit plans	(13,562)	(14,310)
Total accumulated other comprehensive income	(90,511)	(68,449)
Non-controlling interests	32,873	34,021
Total net assets	351,364	380,403
Total liabilities and net assets	817,950	1,166,488

Consolidated Quarterly Statement of Income

(Millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Net sales	514,308	615,842
Cost of sales	400,497	482,597
Gross profit	113,811	133,246
Selling, general and administrative expenses		
Employees' salaries and allowances	32,573	36,422
Provision of allowance for doubtful accounts	561	76
Provision for bonuses	2,953	3,148
Retirement benefit expenses	(110)	(544)
Other	52,258	60,885
Total selling, general and administrative expenses	88,234	99,986
Operating income	25,577	33,259
Non-operating income		
Interest income	1,002	914
Dividends income	415	360
Foreign exchange gains	—	503
Equity in earnings of affiliates	159	1,688
Other	1,689	1,525
Total non-operating income	3,265	4,990
Non-operating expenses		
Interest expenses	1,728	1,516
Foreign exchange losses	909	—
Other	3,239	2,831
Total non-operating expenses	5,877	4,347
Ordinary income	22,965	33,902
Extraordinary income		
Gain on sales of subsidiaries' and affiliates' securities	—	769
Gain on sales of non-current assets	1,722	310
Gain on bargain purchase	1,305	—
Total extraordinary income	3,027	1,079
Extraordinary loss		
Acquisition-related expenses	3,357	6,393
Loss on disposal of non-current assets	1,418	1,904
Impairment loss	—	1,277
Severance costs	751	408
Total extraordinary loss	5,525	9,982
Income before income taxes and non-controlling interests	20,467	24,999
Income taxes	4,855	8,070
Net income	15,612	16,928
Net income attributable to non-controlling interests	1,699	1,644
Net income attributable to owners of the parent	13,913	15,285

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Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Net income	15,612	16,928
Other comprehensive income		
Valuation difference on available-for-sale securities	882	2,890
Deferred gains or losses on hedges	803	(2,453)
Foreign currency translation adjustment	(12,810)	22,458
Remeasurements of defined benefit plans, net of tax	2,724	(869)
Share of other comprehensive income of associates accounted for using equity method	(512)	1,037
Total other comprehensive income	(8,913)	23,063
Comprehensive income	6,699	39,991
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,165	37,347
Comprehensive income attributable to non-controlling interests	1,534	2,644