

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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Consolidated Financial Results for the Three Months Ended March 31, 2022 (Japan GAAP)
(The fiscal year ending December 31, 2022)

May 16, 2022
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 Quarterly Securities Report:

May 16, 2022

Dividend Payment: —

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

1. Consolidated Financial Results for the Three Months Ended March 31, 2022 (January 1, 2022 - March 31, 2022)

(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) | % |
| Three months ended March 31, 2022 | 250,958 | 31.9 | 11,723 | -16.1 | 12,406 | -16.2 | 7,404 | -27.4 |
| Three months ended March 31, 2021 | 190,262 | 4.7 | 13,967 | 40.7 | 14,812 | 78.6 | 10,197 | 121.4 |

Note: Comprehensive income (JPY million): Three months ended March 31, 2022 26,666 (-5.8%)

Three months ended March 31, 2021 28,294 (—%)

| | Earnings per share (basic) | Earnings per share (diluted) |
|-----------------------------------|----------------------------|------------------------------|
| | JPY | JPY |
| Three months ended March 31, 2022 | 78.22 | — |
| Three months ended March 31, 2021 | 107.73 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio to total assets |
|-------------------------|---------------|---------------|--|
| | JPY (million) | JPY (million) | % |
| As of March 31, 2022 | 1,244,433 | 400,533 | 29.5 |
| As of December 31, 2021 | 1,071,481 | 381,008 | 32.3 |

Reference: Shareholders' equity (JPY million): As of March 31, 2022 366,839 As of December 31, 2021 345,927

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 |
| FY2021 | — | 50.00 | — | 50.00 | 100.00 |
| FY2022 | — | — | — | — | — |
| FY2022 (Plan) | — | 50.00 | — | 50.00 | 100.00 |

Note: Revision of the latest forecasts for the dividends payment: None

3. Forecasts for Consolidated Operating Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 - December 31, 2022)

(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 |
| First half of FY2022 | 510,000 | 30.2 | 26,000 | -4.8 | 25,500 | -9.7 | 14,000 | -12.7 | 147.91 |
| FY2022 | 1,040,000 | 21.6 | 54,000 | 25.9 | 53,500 | 22.3 | 28,000 | 541.4 | 295.81 |

Note: Revision of the latest forecasts for the consolidated operating results: Yes

For details, please refer to "Analysis of Results of Operations (3) Operating Results Forecasts for the First Half of Fiscal Year 2022 and Fiscal Year 2022" on page 5.

Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the three months ended March 31, 2022: None
(Changes in specified subsidiaries resulting in the change in scope of consolidation)
Newly included: — (Company name) — Excluded: — (Company name) —
- (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): | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatements: | None |
- (4) Number of shares issued (common stock)
- | | | | |
|---|--------------------|---|-------------------|
| 1) Number of shares issued at the end of the period, including treasury shares | | | |
| As of March 31, 2022 | 95,156,904 shares, | As of December 31, 2021 | 95,156,904 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of March 31, 2022 | 502,393 shares, | As of December 31, 2021 | 501,950 shares |
| 3) Average number of shares issued during the period, excluding treasury shares | | | |
| For the three months ended March 31, 2022 | 94,654,708 shares, | For the three months ended March 31, 2021 | 94,653,693 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 5.

Analysis of Results of Operations

(1) Overview of Operating Results

(Billions of yen)

| | Three months ended March 31, 2021 | Three months ended March 31, 2022 | Change (%) | Change (%) [Local currency basis] |
|--|---|---|---------------|--------------------------------------|
| Net sales | 190.3 | 251.0 | 31.9% | 27.7% |
| Operating income | 14.0 | 11.7 | -16.1% | -13.3% |
| Ordinary income | 14.8 | 12.4 | -16.2% | — |
| Net income attributable to owners of the parent | 10.2 | 7.4 | -27.4% | — |
| EBITDA* | 21.4 | 23.3 | 8.8% | — |
| ¥/US\$1.00 (Average rate) | 106.17 | 117.03 | 10.2% | — |
| ¥/EUR1.00 (Average rate) | 127.88 | 131.32 | 2.7% | — |

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

In the three months ended March 31, 2022, consolidated net sales advanced 31.9%, to ¥251.0 billion. This sharp increase reflected efforts to maintain firm shipments overall, as well as to adjust sales prices for a wide range of products across all segments, and was despite the heightened impact of elevated energy, logistics and raw materials costs amid complex macroenvironmental changes such as rising resource prices, a consequence of Russia's invasion of Ukraine, and supply chain disruptions, ascribed to a resurgence of COVID-19 in the People's Republic of China (PRC) and elsewhere. In the Color & Display segment, the margin of improvement in net sales was boosted by the addition of sales from the C&E pigments business, which was not included in the scope of consolidation in the corresponding period of the previous fiscal year. Shipments of high-value-added products, including materials for electrical and electronics equipment and automobiles, and most pigments, were firm despite moves by customers to secure inventories in light of the uncertain global economic outlook and persistent supply chain turmoil, while shipments of materials for food packaging stagnated in the PRC, owing to the imposition of pandemic lockdowns.

Operating income, at ¥11.7 billion, was down 16.1%. This was despite ongoing efforts to adjust sales prices for diverse products with the aim of passing on energy, logistics and raw materials cost increases, as such moves failed to fully offset higher costs for certain products in the Packaging & Graphic and Functional Products segments. The C&E pigments business moved into the black, as the situation surrounding shipment delays—caused by the fact that it took some time to build a logistics configuration following the business' integration—rallied, underpinning healthy sales.

Ordinary income declined 16.2%, to ¥12.4 billion.

Net income attributable to owners of the parent fell 27.4%, to ¥7.4 billion.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 8.8%, to ¥23.3 billion. The inclusion of the C&E pigments business pushed up depreciation and amortization.

(2) Segment Results

(Billions of yen)

| | Net sales | | | | Operating income (loss) | | | |
|------------------------------------|--------------------------------------|---|---------------|---|--------------------------------------|---|---------------|---|
| | Three months ended March 31, 2021 | Three months ended March 31, 2022 | Change (%) | Change (%) 〔Local currency basis〕 | Three months ended March 31, 2021 | Three months ended March 31, 2022 | Change (%) | Change (%) 〔Local currency basis〕 |
| Packaging & Graphic | 102.4 | 120.9 | 18.0% | 15.7% | 5.4 | 3.4 | -36.2% | -25.0% |
| Color & Display | 28.8 | 66.2 | 130.2% | 115.8% | 3.0 | 3.8 | 28.7% | 28.0% |
| Functional Products | 66.6 | 74.2 | 11.3% | 8.0% | 7.6 | 6.6 | -12.9% | -15.2% |
| Others, Corporate and eliminations | (7.6) | (10.3) | — | — | (2.0) | (2.1) | — | — |
| Total | 190.3 | 251.0 | 31.9% | 27.7% | 14.0 | 11.7 | -16.1% | -13.3% |

Packaging & Graphic

| | Three months ended March 31, 2021 | Three months ended March 31, 2022 | Change (%) | Change (%) 〔Local currency basis〕 |
|------------------|--------------------------------------|---|------------|--------------------------------------|
| Net sales | ¥102.4 billion | ¥120.9 billion | 18.0% | 15.7% |
| Operating income | ¥5.4 billion | ¥3.4 billion | -36.2% | -25.0% |

Segment sales rose 18.0%, to ¥120.9 billion. In materials for food packaging, sales of packaging inks increased, bolstered by sales price adjustments on a global scale, although sales in the PRC decreased in volume terms from the three months ended March 31, 2021, as pandemic lockdowns caused shipments in urban areas to stagnate. Sales of publication inks, which center on inks for commercial printing and news inks, were also up—despite a decline in Japan for the former prompted by the implementation of targeted measures to prevent the spread of COVID-19, which dampened a recovery in sales for use in pamphlets and event-related printed materials—thanks to robust shipments, particularly for publishing, in Asia, and sales price adjustments in the Americas and Europe. Sales of jet inks for digital printing increased, buttressed by persistently brisk sales for industrial applications, including outdoor signage (billboards and posters) and banners, and for commercial printing.

Segment operating income fell 36.2%, to ¥3.4 billion. Notwithstanding ongoing efforts to counter the heightened influence of escalating raw materials costs—a result of higher raw materials prices—worldwide by adjusting sales prices, such attempts struggled to keep pace. As a consequence, operating income was down in all regions.

Color & Display

| | Three months ended March 31, 2021 | Three months ended March 31, 2022 | Change (%) | Change (%) [Local currency basis] |
|------------------|---|---|------------|--------------------------------------|
| Net sales | ¥28.8 billion | ¥66.2 billion | 130.2% | 115.8% |
| Operating income | ¥3.0 billion | ¥3.8 billion | 28.7% | 28.0% |

Segment sales soared 130.2%, to ¥66.2 billion. Owing to the addition of sales from the C&E pigments business, sales of pigments for coatings, plastics and cosmetics increased sharply. Demand for pigments for cosmetics remained on an upward trend. In display materials, sales of pigments for color filters remained level, underpinned by firm shipments, despite a temporary lull due to inventory adjustments. In pigments for specialty applications, sales of effect pigments were boosted by solid sales for construction-related and agricultural applications. Sales of pigments for inks were also up, thanks to steady shipments for packaging applications.

Segment operating income, at ¥3.8 billion, was up 28.7%. In addition to firm shipments of high-value-added products such as pigments for cosmetics, color filters and specialty applications, decisive steps were taken to adjust sales prices, including the assessment of surcharges. The steep rise in segment operating income also reflected the fact that the C&E pigments business reported a profit, thanks to an improvement in the situation surrounding shipment delays arising from the protracted process of building a logistics configuration following the business' integration.

Functional Products

| | Three months ended March 31, 2021 | Three months ended March 31, 2022 | Change (%) | Change (%) 〔Local currency basis〕 |
|------------------|---|---|------------|--------------------------------------|
| Net sales | ¥66.6 billion | ¥74.2 billion | 11.3% | 8.0% |
| Operating income | ¥7.6 billion | ¥6.6 billion | -12.9% | -15.2% |

Segment sales advanced 11.3%, to ¥74.2 billion. In digital materials, used principally in electrical and electronics equipment and displays, sales of epoxy resins—the principal application for which is semiconductor devices—increased, buttressed by robust demand in electronics equipment markets and effective efforts to adjust sales prices, which outpaced the impact of a resurgence of COVID-19 in the PRC on shipments of certain items. Sales of industrial-use tapes, used mainly in smartphones and other mobile devices, also rose, bolstered by persistent moves to lock in demand. In industrial materials, used primarily in mobility solutions, sales of all principal products were up, despite moves by customers to secure inventories, owing to generally firm orders for polyphenylene sulfide (PPS) compounds and other resin products, as well as to efforts to adjust sales prices.

Segment operating income decreased 12.9%, to ¥6.6 billion. This was despite efforts to adjust sales prices to pass on energy, logistics and raw materials cost increases, as such moves fell short.

(3) Operating Results Forecasts for the First Half of Fiscal Year 2022 and Fiscal Year 2022

DIC has revised its operating results forecasts, published on February 18, 2022, as indicated below.

(Billions of yen)

| | First half of FY2021 | First half of FY2022 | Change (%) | FY2021 | FY2022 | Change (%) |
|--|-------------------------|--------------------------------|---------------|--------|---------------------------|---------------|
| Net sales | 391.8 | 510.0 [465.0] | 30.2% | 855.4 | 1,040.0 [950.0] | 21.6% |
| Operating income | 27.3 | 26.0 | -4.8% | 42.9 | 54.0 | 25.9% |
| Ordinary income | 28.2 | 25.5 | -9.7% | 43.8 | 53.5 | 22.3% |
| Net income attributable to owners of the parent | 16.0 | 14.0 | -12.7% | 4.4 | 28.0 | 541.4% |

Note: Forecasts in squared parentheses are those published on February 18, 2022.

Reasons for Revision of Operating Results Forecasts

The DIC Group continues working to adjust sales prices for a wide range of products worldwide to counter elevated costs for energy and raw materials, attributable to rising resource and crude oil prices, as well as for logistics, a consequence of supply chain disruption. Owing to the progress of these efforts and resulting increases in sales prices, net sales are expected to rise. In light of this factor, DIC has revised its first-half and full-term net sales forecasts for fiscal year 2022 upward.

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)

| | Previous fiscal year as of December 31, 2021 | First quarter of current fiscal year as of March 31, 2022 |
|--|---|---|
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 38,253 | 123,424 |
| Notes and accounts receivable - trade | 237,916 | 249,596 |
| Merchandise and finished goods | 132,773 | 147,309 |
| Work in process | 9,651 | 10,862 |
| Raw materials and supplies | 91,199 | 106,956 |
| Other | 36,282 | 42,590 |
| Allowance for doubtful accounts | (3,959) | (4,231) |
| Total current assets | 542,114 | 676,506 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 103,039 | 122,733 |
| Machinery, equipment and vehicles, net | 109,519 | 114,535 |
| Tools, furniture and fixtures, net | 14,930 | 15,404 |
| Land | 64,219 | 64,339 |
| Construction in progress | 15,978 | 18,422 |
| Total property, plant and equipment | 307,684 | 335,434 |
| Intangible assets | | |
| Goodwill | 20,182 | 27,360 |
| Software | 4,002 | 6,137 |
| Customer-related assets | 3,107 | 5,623 |
| Other | 25,022 | 21,584 |
| Total intangible assets | 52,313 | 60,704 |
| Investments and other assets | | |
| Investment securities | 59,289 | 59,261 |
| Net defined benefit asset | 69,715 | 71,418 |
| Other | 40,522 | 41,254 |
| Allowance for doubtful accounts | (156) | (143) |
| Total investments and other assets | 169,370 | 171,790 |
| Total non-current assets | 529,367 | 567,927 |
| Total assets | 1,071,481 | 1,244,433 |

Consolidated Quarterly Balance Sheet

(Millions of yen)

| | Previous fiscal year as of December 31, 2021 | First quarter of current fiscal year as of March 31, 2022 |
|---|---|---|
| (Liabilities) | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 145,816 | 150,988 |
| Short-term loans payable | 47,568 | 60,294 |
| Commercial papers | — | 81,000 |
| Current portion of bonds payable | 20,000 | 10,000 |
| Income taxes payable | 5,640 | 3,658 |
| Provision for bonuses | 6,125 | 5,801 |
| Other | 80,426 | 93,822 |
| Total current liabilities | 305,575 | 405,563 |
| Non-current liabilities | | |
| Bonds payable | 140,000 | 140,000 |
| Long-term loans payable | 171,443 | 212,977 |
| Net defined benefit liability | 35,989 | 36,354 |
| Asset retirement obligations | 7,689 | 7,989 |
| Other | 29,776 | 41,016 |
| Total non-current liabilities | 384,897 | 438,337 |
| Total liabilities | 690,473 | 843,900 |
| (Net assets) | | |
| Shareholders' equity | | |
| Capital stock | 96,557 | 96,557 |
| Capital surplus | 94,468 | 94,234 |
| Retained earnings | 214,665 | 217,329 |
| Treasury shares | (1,780) | (1,781) |
| Total shareholders' equity | 403,910 | 406,339 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,449 | 5,163 |
| Deferred gains or losses on hedges | 92 | 243 |
| Foreign currency translation adjustment | (55,456) | (34,602) |
| Remeasurements of defined benefit plans | (8,067) | (10,305) |
| Total accumulated other comprehensive income | (57,983) | (39,500) |
| Non-controlling interests | 35,081 | 33,694 |
| Total net assets | 381,008 | 400,533 |
| Total liabilities and net assets | 1,071,481 | 1,244,433 |

Consolidated Quarterly Statement of Income

(Millions of yen)

| | Three months ended March 31, 2021 | Three months ended March 31, 2022 |
|---|---|---|
| Net sales | 190,262 | 250,958 |
| Cost of sales | 144,979 | 199,964 |
| Gross profit | 45,283 | 50,994 |
| Selling, general and administrative expenses | | |
| Employees' salaries and allowances | 11,286 | 14,718 |
| Provision of allowance for doubtful accounts | 48 | 311 |
| Provision for bonuses | 1,064 | 1,140 |
| Retirement benefit expenses | (203) | (468) |
| Other | 19,121 | 23,570 |
| Total selling, general and administrative expenses | 31,316 | 39,271 |
| Operating income | 13,967 | 11,723 |
| Non-operating income | | |
| Interest income | 262 | 248 |
| Dividends income | 190 | 238 |
| Foreign exchange gains | 411 | 826 |
| Equity in earnings of affiliates | 209 | 153 |
| Other | 734 | 783 |
| Total non-operating income | 1,807 | 2,249 |
| Non-operating expenses | | |
| Interest expenses | 471 | 630 |
| Other | 491 | 936 |
| Total non-operating expenses | 962 | 1,566 |
| Ordinary income | 14,812 | 12,406 |
| Extraordinary income | | |
| Gain on sales of subsidiaries' and affiliates' securities | 769 | — |
| Total extraordinary income | 769 | — |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 471 | 325 |
| Severance costs | 43 | 105 |
| Acquisition-related expenses | 1,201 | — |
| Total extraordinary losses | 1,714 | 430 |
| Income before income taxes | 13,867 | 11,976 |
| Income taxes | 2,904 | 4,180 |
| Net income | 10,963 | 7,796 |
| Net income attributable to non-controlling interests | 766 | 393 |
| Net income attributable to owners of the parent | 10,197 | 7,404 |

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Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

| | Three months ended March 31, 2021 | Three months ended March 31, 2022 |
|---|---|---|
| Net income | 10,963 | 7,796 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,849 | (265) |
| Deferred gains or losses on hedges | 1,079 | 154 |
| Foreign currency translation adjustment | 15,429 | 20,824 |
| Remeasurements of defined benefit plans, net of tax | (1,970) | (2,255) |
| Share of other comprehensive income of associates accounted for using equity method | 944 | 412 |
| Total other comprehensive income | 17,331 | 18,870 |
| Comprehensive income | 28,294 | 26,666 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 26,850 | 25,886 |
| Comprehensive income attributable to non-controlling interests | 1,444 | 780 |