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Color & Comfort



MEMBERSHIP

Consolidated Financial Results for the Six Months Ended June 30, 2022 (Japan GAAP) (The fiscal year ending December 31, 2022)

August 10, 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: August 10, 2022

Dividend Payment: September 1, 2022

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2022 (January 1, 2022 - June 30, 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)	%
Six months ended June 30, 2022	521,411	33.1	23,966	-12.2	26,151	-7.4	14,390	-10.2
Six months ended June 30, 2021	391,793	14.0	27,303	53.1	28,239	81.5	16,028	55.1

Note: Comprehensive income (JPY million):
Six months ended June 30, 2022 67,687 (74.9%)
Six months ended June 30, 2021 38,709 (—%)

	Earnings per share (basic)	Earnings per share (diluted)
	JPY	JPY
Six months ended June 30, 2022	152.03	—
Six months ended June 30, 2021	169.33	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of June 30, 2022	1,309,388	441,559	31.1
As of December 31, 2021	1,071,481	381,008	32.3

Reference: Shareholders' equity (JPY million): As of June 30, 2022 406,795 As of December 31, 2021 345,927

2. Cash Dividends

(Record date)	Cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual
	JPY	JPY	JPY	JPY	JPY
FY2021	—	50.00	—	50.00	100.00
FY2022	—	50.00	—	—	—
FY2022 (Plan)	—	—	—	50.00	100.00

Note: Revision of the 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
FY2022	1,100,000	28.6	50,000	16.6	51,000	16.6	26,000	495.6	274.68

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2022: Yes

For details, please refer to "Analysis of Results of Operations (3) Operating Results Forecasts for Fiscal Year 2022" on page 4.

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Notes

(1) Changes in the scope of consolidation for significant subsidiaries during the six months ended June 30, 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 June 30, 2022	95,156,904 shares,	As of December 31, 2021	95,156,904 shares
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2) Number of treasury shares at the end of the period

As of June 30, 2022	503,044 shares,	As of December 31, 2021	501,950 shares
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3) Average number of shares issued during the period, excluding treasury shares

For the six months ended June 30, 2022	94,654,474 shares,	For the six months ended June 30, 2021	94,655,033 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 4.

Analysis of Results of Operations

(1) Overview of Operating Results

(Billions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022	Change (%)	Change (%) [Local currency basis]
Net sales	391.8	521.4	33.1%	26.8%
Operating income	27.3	24.0	-12.2%	-10.2%
Ordinary income	28.2	26.2	-7.4%	—
Net income attributable to owners of the parent	16.0	14.4	-10.2%	—
EBITDA *	38.2	47.4	24.2%	—
¥/US\$1.00 (Average rate)	107.68	123.25	14.5%	—
¥/EUR1.00 (Average rate)	129.63	134.89	4.1%	—

* 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, 2022, consolidated net sales climbed 33.1%, to ¥521.4 billion. This sharp increase reflected ongoing efforts to adjust sales prices for a wide range of products across all segments and was despite the impact of persistently high energy, logistics and raw materials costs amid increasing global economic uncertainty caused by, among others, rising resource prices, a consequence of the situation in 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. Amid an unclear global economic outlook and prolonged supply chain turmoil, shipments for certain products and regions showed signs of stagnation, hindered by falling automobile production and the impact of pandemic lockdowns in the PRC.

Operating income, at ¥24.0 billion, was down 12.2%. With shipments for a number of products and regions languishing, attempts were made to modify sales prices for a wide range of products to pass on increases in energy, logistics and raw materials costs. However, such moves fell short. Against this backdrop, the C&E pigments business shifted into the black as shipment delays—caused by the fact that it took some time to build a logistics configuration following the business' integration—were resolved, underpinning firm sales.

Ordinary income declined 7.4%, to ¥26.2 billion. The margin of decline was narrower than that for operating income thanks to an increase in foreign exchange gains, among others.

Net income attributable to owners of the parent, decreased 10.2%, to ¥14.4 billion.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 24.2%, to ¥47.4 billion.

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(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Six months ended June 30, 2021	Six months ended June 30, 2022	Change (%)	Change (%) [Local currency basis]	Six months ended June 30, 2021	Six months ended June 30, 2022	Change (%)	Change (%) [Local currency basis]
Packaging & Graphic	211.0	257.4	22.0%	17.2%	10.5	7.7	-26.9%	-16.9%
Color & Display	59.2	133.9	126.2%	107.8%	7.0	7.8	11.0%	10.3%
Functional Products	137.4	153.2	11.6%	7.4%	14.1	13.3	-5.5%	-8.3%
Others, Corporate and eliminations	(15.8)	(23.1)	—	—	(4.3)	(4.8)	—	—
Total	391.8	521.4	33.1%	26.8%	27.3	24.0	-12.2%	-10.2%

Packaging & Graphic

	Six months ended June 30, 2021	Six months ended June 30, 2022	Change (%)	Change (%) [Local currency basis]
Net sales	¥211.0 billion	¥257.4 billion	22.0%	17.2%
Operating income	¥10.5 billion	¥7.7 billion	-26.9%	-16.9%

Segment sales advanced 22.0%, to ¥257.4 billion. In materials for food packaging, sales of packaging inks increased, supported by continued efforts to adjust sales prices on a global scale. Nonetheless, shipments in Asia were down from the corresponding period of the previous fiscal year, as those in the PRC remained listless despite the repeal of lockdowns. In publication inks, which center on inks for commercial printing and news inks, a limited recovery in Japan for use in pamphlets and event-related printed materials following the lifting of targeted measures to prevent the spread of COVID-19 and flagging demand in the Americas and Europe due to paper shortages caused shipments in these regions to slump, but sales rose thanks to assertive sales price adjustments worldwide. 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. The inclusion of the sales of Italian adhesives manufacturer Sapici S.p.A., the acquisition of which was completed in January 2022, also bolstered segment sales.

Segment operating income fell 26.9%, to ¥7.7 billion. Despite seeking to counter increases in energy, logistics and raw materials costs worldwide by modifying sales prices, such attempts struggled to keep pace, as a result of which operating income declined in all regions. Against this backdrop, the successful completion of the post-acquisition integration of Sapici's operations and moves to boost sales of adhesives led to steady growth in the Italian company's profits.

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Color & Display

	Six months ended June 30, 2021	Six months ended June 30, 2022	Change (%)	Change (%) [Local currency basis]
Net sales	¥59.2 billion	¥133.9 billion	126.2%	107.8%
Operating income	¥7.0 billion	¥7.8 billion	11.0%	10.3%

Segment sales soared 126.2%, to ¥133.9 billion. Owing to the addition of sales from the C&E pigments business, sales of pigments for coatings, plastics and cosmetics increased sharply. Shipments of pigments for cosmetics rose as a recovery in demand came into focus, underpinned by a shift away from wearing face masks overseas. In display materials, sales of pigments for color filters decreased, as production adjustments by display manufacturers depressed shipments. In pigments for specialty applications, which center on effect pigments, sales of pigments for agricultural uses remained firm, although sales of those for building materials, used in autoclaved aerated concrete, declined in Europe, the principal market for these products.

Segment operating income, at ¥7.8 billion, was up 11.0%. Although shipments of certain high-value-added products, notably pigments for color filters and specialty applications, flagged, decisive steps were taken to modify sales prices, including the assessment of surcharges. The segment operating income reflected the fact that the C&E pigments business reported a profit, as the resolution of shipment delays supported firm sales.

Functional Products

	Six months ended June 30, 2021	Six months ended June 30, 2022	Change (%)	Change (%) [Local currency basis]
Net sales	¥137.4 billion	¥153.2 billion	11.6%	7.4%
Operating income	¥14.1 billion	¥13.3 billion	-5.5%	-8.3%

Segment sales advanced 11.6%, to ¥153.2 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 effective efforts to capture robust demand in electronics equipment markets and successful attempts to adjust sales prices, which countered the persistent impact of COVID-19 on shipments overseas even after the repeal of lockdowns in the PRC. 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, shipments were affected by falling automobile production, a consequence of semiconductor shortages and turmoil on the logistics front, but sales price adjustments pushed up sales of core products other than polyphenylene sulfide (PPS) compounds. Sales of PPS compounds were essentially level, despite progress in modifying sales prices, as shipments fell both in Japan and overseas.

Segment operating income decreased 5.5%, to ¥13.3 billion. This was despite efforts to adjust sales prices to pass on energy, logistics and raw materials cost increases amid falling shipments, particularly of materials for automotive applications, as such moves fell short.

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(3) Operating Results Forecasts for Fiscal Year 2022

DIC has revised its operating results forecasts, published on May 16, 2022, as indicated below.

(Billions of yen)

	FY2021	FY2022	Change (%)	Change (%) [Local currency basis]
Net sales	855.4	1,100.0 [1,040.0]	28.6%	20.5%
Operating income	42.9	50.0 [54.0]	16.6%	17.5%
Ordinary income	43.8	51.0 [53.5]	16.6%	—
Net income attributable to owners of the parent	4.4	26.0 [28.0]	495.6%	—
¥/US\$1.00 (Average rate)	109.75	129.00	17.5%	—
¥/EUR1.00 (Average rate)	129.73	142.00	9.5%	—

Note: Forecasts in squared parentheses are those published on May 16, 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 disruptions. Owing to the progress of these efforts and resulting increases in sales prices, net sales are now expected to exceed the previously published forecast. In contrast, given trends in Groupwide attempts to modify sales prices, as well as recent results in the Packaging & Graphic segment, operating income is now expected to be below the previous forecast. In light of these factors, DIC has revised its full-term operating results forecasts for fiscal year 2022.

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.

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Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year as of December 31, 2021	Second quarter of current fiscal year as of June 30, 2022
(Assets)		
Current assets		
Cash and deposits	38,253	100,048
Notes and accounts receivable - trade	237,916	268,572
Merchandise and finished goods	132,773	169,898
Work in process	9,651	11,337
Raw materials and supplies	91,199	125,238
Other	36,282	49,112
Allowance for doubtful accounts	(3,959)	(4,883)
Total current assets	542,114	719,322
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	103,039	127,446
Machinery, equipment and vehicles, net	109,519	120,089
Tools, furniture and fixtures, net	14,930	15,965
Land	64,219	65,985
Construction in progress	15,978	21,713
Total property, plant and equipment	307,684	351,199
Intangible assets		
Goodwill	20,182	25,136
Software	4,002	6,323
Customer-related assets	3,107	6,840
Other	25,022	24,796
Total intangible assets	52,313	63,095
Investments and other assets		
Investment securities	59,289	60,581
Net defined benefit asset	69,715	73,422
Other	40,522	41,869
Allowance for doubtful accounts	(156)	(100)
Total investments and other assets	169,370	175,772
Total non-current assets	529,367	590,065
Total assets	1,071,481	1,309,388

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Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year as of December 31, 2021	Second quarter of current fiscal year as of June 30, 2022
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	145,816	164,692
Short-term loans payable	47,568	73,128
Commercial papers	—	40,000
Current portion of bonds payable	20,000	20,000
Income taxes payable	5,640	3,633
Provision for bonuses	6,125	6,087
Other	80,426	86,723
Total current liabilities	305,575	394,262
Non-current liabilities		
Bonds payable	140,000	130,000
Long-term loans payable	171,443	250,898
Net defined benefit liability	35,989	38,058
Asset retirement obligations	7,689	8,660
Other	29,776	45,950
Total non-current liabilities	384,897	473,566
Total liabilities	690,473	867,829
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,468	94,234
Retained earnings	214,665	224,317
Treasury shares	(1,780)	(1,783)
Total shareholders' equity	403,910	413,325
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,449	4,791
Deferred gains or losses on hedges	92	351
Foreign currency translation adjustment	(55,456)	348
Remeasurements of defined benefit plans	(8,067)	(12,019)
Total accumulated other comprehensive income	(57,983)	(6,530)
Non-controlling interests	35,081	34,764
Total net assets	381,008	441,559
Total liabilities and net assets	1,071,481	1,309,388

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Consolidated Quarterly Statement of Income

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	391,793	521,411
Cost of sales	301,131	415,420
Gross profit	90,662	105,991
Selling, general and administrative expenses		
Employees' salaries and allowances	22,589	30,382
Provision of allowance for doubtful accounts	134	759
Provision for bonuses	2,057	2,396
Retirement benefit expenses	(413)	(1,203)
Other	38,992	49,692
Total selling, general and administrative expenses	63,358	82,025
Operating income	27,303	23,966
Non-operating income		
Interest income	561	524
Dividends income	259	304
Foreign exchange gains	467	2,116
Equity in earnings of affiliates	862	951
Other	1,205	1,257
Total non-operating income	3,353	5,152
Non-operating expenses		
Interest expenses	967	1,407
Other	1,450	1,560
Total non-operating expenses	2,418	2,967
Ordinary income	28,239	26,151
Extraordinary income		
Gain on sales of non-current assets	310	869
Gain on sale of investment securities	—	427
Gain on sales of subsidiaries' and affiliates' securities	769	—
Total extraordinary income	1,079	1,296
Extraordinary losses		
Impairment losses	—	1,047
Loss on disposal of non-current assets	1,203	1,011
Severance costs	200	876
Loss on withdrawal from business	—	545
Acquisition-related expenses	5,667	—
Total extraordinary losses	7,071	3,479
Income before income taxes	22,247	23,968
Income taxes	5,046	8,845
Net income	17,201	15,123
Net income attributable to non-controlling interests	1,172	733
Net income attributable to owners of the parent	16,028	14,390

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Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net income	17,201	15,123
Other comprehensive income		
Valuation difference on available-for-sale securities	2,068	(622)
Deferred gains or losses on hedges	(2,512)	262
Foreign currency translation adjustment	22,395	56,464
Remeasurements of defined benefit plans, net of tax	(1,458)	(3,959)
Share of other comprehensive income of associates accounted for using equity method	1,015	418
Total other comprehensive income	21,508	52,564
Comprehensive income	38,709	67,687
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	36,719	65,843
Comprehensive income attributable to non-controlling interests	1,990	1,843

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Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net cash provided by (used in) operating activities		
Income before income taxes	22,247	23,968
Depreciation and amortization	16,599	22,533
Amortization of goodwill	83	746
Increase (decrease) in allowance for doubtful accounts	(357)	644
Increase (decrease) in provision for bonuses	231	(38)
Interest and dividends income	(820)	(828)
Equity in (earnings) losses of affiliates	(862)	(951)
Interest expenses	967	1,407
Loss (gain) on sales and retirement of non-current assets	894	142
Impairment losses	—	1,047
Loss (gain) on sales of subsidiaries' and affiliates' securities	(769)	—
Loss (gain) on sale of investment securities	—	(427)
Decrease (increase) in notes and accounts receivable - trade	(10,706)	(11,902)
Decrease (increase) in inventories	(15,219)	(45,485)
Increase (decrease) in notes and accounts payable - trade	27,065	8,813
Other, net	(2,136)	(16,776)
Subtotal	37,218	(17,107)
Interest and dividends income received	1,821	1,712
Interest expenses paid	(972)	(1,301)
Income taxes paid	(7,657)	(8,096)
Net cash provided by (used in) operating activities	30,409	(24,791)
Net cash provided by (used in) investing activities		
Payments into time deposits	(5,472)	(619)
Proceeds from withdrawal of time deposits	2,467	212
Purchase of property, plant and equipment	(14,834)	(16,826)
Proceeds from sales of property, plant and equipment	335	654
Purchase of intangible assets	(500)	(2,758)
Purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	(127,935)	(11,701)
Proceeds from sales of subsidiaries' and affiliates' securities	11,618	—
Purchase of investment securities	(114)	(287)
Proceeds from sales and redemption of investment securities	712	739
Proceeds from sales of businesses	95	—
Payments for acquisition of businesses	—	(16)
Other, net	(9)	(2,524)
Net cash provided by (used in) investing activities	(128,317)	(33,126)

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Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	52,954	24,270
Increase (decrease) in commercial papers	100,000	40,000
Proceeds from long-term loans payable	14,307	83,019
Repayment of long-term loans payable	(10,545)	(20,519)
Redemption of bonds	—	(10,000)
Cash dividends paid	(4,739)	(4,739)
Cash dividends paid to non-controlling interests	(896)	(439)
Net decrease (increase) in treasury shares	25	(3)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(1,999)
Other, net	(696)	(3,358)
Net cash provided by (used in) financing activities	150,409	106,232
Effect of exchange rate change on cash and cash equivalents	2,166	12,956
Net increase (decrease) in cash and cash equivalents	54,668	61,271
Cash and cash equivalents at beginning of the period	41,354	37,572
Cash and cash equivalents at end of the period	96,022	98,842