

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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Consolidated Financial Results for the Nine Months Ended September 30, 2022 (Japan GAAP)
(The fiscal year ending December 31, 2022)

November 14, 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:

November 14, 2022

Dividend Payment: —

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2022 (January 1, 2022 – September 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)	%
Nine months ended September 30, 2022	795,151	29.1	32,855	-1.2	35,612	5.0	17,806	16.5
Nine months ended September 30, 2021	615,842	19.7	33,259	30.0	33,902	47.6	15,285	9.9

Note: Comprehensive income (JPY million): Nine months ended September 30, 2022 78,783 (97.0%)

Nine months ended September 30, 2021 39,991 (497.0%)

	Earnings per share (basic)	Earnings per share (diluted)
	JPY	JPY
Nine months ended September 30, 2022	188.12	—
Nine months ended September 30, 2021	161.48	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of September 30, 2022	1,319,376	447,737	31.3
As of December 31, 2021	1,071,481	381,008	32.3

Reference: Shareholders' equity (JPY million): As of September 30, 2022 412,656 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	—	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	1,080,000	26.3	40,000	-6.7	43,500	-0.6	20,000	358.2	211.30

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.

Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the nine months ended September 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

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|--|------|
| 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 September 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 September 30, 2022	503,569 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 nine months ended September 30, 2022	94,654,204 shares,	For the nine months ended September 30, 2021	94,655,339 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)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Change (%)	Change (%) [Local currency basis]
Net sales	615.8	795.2	29.1%	22.0%
Operating income	33.3	32.9	-1.2%	1.6%
Ordinary income	33.9	35.6	5.0%	—
Net income attributable to owners of the parent	15.3	17.8	16.5%	—
EBITDA *	51.3	68.1	32.8%	—
¥/US\$1.00 (Average rate)	108.50	127.87	17.9%	—
¥/EUR1.00 (Average rate)	129.68	136.26	5.1%	—

* 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, 2022, consolidated net sales climbed 29.1%, to ¥795.2 billion. This sharp increase, coming amid global economic turmoil caused by such factors as rising inflationary pressure worldwide, the protracted crisis in Ukraine and restrictions on movement in the People's Republic of China (PRC) under a stringent "zero-COVID" policy, was attributable to ongoing efforts to adjust sales prices across all segments in response to elevated energy, logistics and raw materials costs, as well as to the influence of yen depreciation on results denominated in other currencies after translation. 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 first half of the previous fiscal year. Nonetheless, shipments of numerous products stalled in all regions, hindered by recent signs of an economic slowdown in Europe and a delay in the PRC's recovery from pandemic lockdowns, combined with a drop in demand for digital materials, used principally in electrical and electronics equipment and displays, in the third quarter (July–September 2022).

Operating income edged down 1.2%, to ¥32.9 billion. This decrease was due to dwindling shipments of a wide range of products and was despite continued efforts to pass on higher costs by modifying sales prices. The narrow margin of decline was thanks to the absence of ¥4.2 billion in one-time expenses recorded in the corresponding period of fiscal year 2021 in association with the integration of the C&E pigments business.

Ordinary income, at ¥35.6 billion, was up 5.0%. This reflected expanded foreign exchange gains, among others.

Net income attributable to owners of the parent increased 16.5%, to ¥17.8 billion.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 32.8%, to ¥68.1 billion.

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(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Change (%)	Change (%) [Local currency basis]	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Change (%)	Change (%) [Local currency basis]
Packaging & Graphic	322.4	397.3	23.3%	17.3%	16.1	13.8	-14.1%	-4.4%
Color & Display	109.1	195.3	78.9%	62.7%	3.2	7.2	127.5%	121.8%
Functional Products	208.5	234.5	12.5%	7.6%	20.4	18.8	-7.8%	-11.3%
Others, Corporate and eliminations	(24.2)	(32.0)	—	—	(6.4)	(7.0)	—	—
Total	615.8	795.2	29.1%	22.0%	33.3	32.9	-1.2%	1.6%

Packaging & Graphic

	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Change (%)	Change (%) [Local currency basis]
Net sales	¥322.4 billion	¥397.3 billion	23.3%	17.3%
Operating income	¥16.1 billion	¥13.8 billion	-14.1%	-4.4%

Segment sales advanced 23.3%, to ¥397.3 billion. In materials for packaging, used primarily to package food products, sales of packaging inks increased, supported by continued efforts to modify sales prices. Nonetheless, shipments in Asia were down from the corresponding period of the previous fiscal year, as those in the PRC remained listless, hampered by ongoing zero-COVID measures. In publication inks, which center on inks for commercial printing and news inks, demand in Japan failed to recover for use in pamphlets and event-related printed materials, while that in Europe fell due to waning economic conditions, causing shipments in both regions to slump, although sales increased thanks to assertive sales price adjustments worldwide. In jet inks for digital printing, demand was down for industrial applications, including outdoor signage (billboards and posters) and banners, as well as for commercial printing, but sales rose as yen depreciation boosted results denominated in other currencies after translation. 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, at ¥13.8 billion, was down 14.1%. Despite seeking to counter higher energy, logistics and raw materials costs worldwide by modifying sales prices, such attempts struggled to keep pace, as a consequence of which operating income declined. Profits were further hindered by the depreciation of emerging market currencies, which pushed down results in those markets after translation into yen. Against this backdrop, moves by Sapici to expand its sales of adhesives in Europe led to steady growth in the Italian company's profits.

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Color & Display

	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥109.1 billion	¥195.3 billion	78.9%	62.7%
Operating income	¥3.2 billion	¥7.2 billion	127.5%	121.8%

Segment sales soared 78.9%, to ¥195.3 billion. Owing to the addition of sales from the C&E pigments business, sales of pigments for coatings, plastics and cosmetics increased significantly. Shipments of pigments for cosmetics rose as a recovery in demand was seen in the Americas and Europe, as well as in Asia. In display materials, sales of pigments for color filters fell markedly, as production cuts by display manufacturers, together with attendant inventory adjustments, 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, decreased in Europe, the principal market for these products.

Segment operating income, at ¥7.2 billion, was up 127.5%. This steep gain was due largely to the absence of ¥4.2 billion in one-time expenses recorded in the corresponding period of fiscal year 2021 in association with the integration of the C&E pigments business. If this factor was discounted, operating income would have been pushed down by, among others, flagging sales of high-value-added products, notably pigments for color filters and specialty applications, mounting energy costs in Europe and a significant decline in shipments of thin-film transistor liquid crystals (TFT LCs) in the third quarter (July–September 2022).

Functional Products

	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥208.5 billion	¥234.5 billion	12.5%	7.6%
Operating income	¥20.4 billion	¥18.8 billion	-7.8%	-11.3%

Segment sales rose 12.5%, to ¥234.5 billion. In digital materials, used principally in electrical and electronics equipment and displays, shipments of epoxy resins—the principal application for which is semiconductor devices—declined dramatically, particularly overseas, hampered by the PRC’s strict zero-COVID measures and slowing growth in the market for electronic devices, but sales advanced thanks to efforts to modify sales prices in Japan and overseas. Sales of industrial-use tapes, used mainly in smartphones and other mobile devices, rose, bolstered by persistent moves to lock in demand. In industrial materials, used primarily in mobility solutions, demand tumbled, particularly in the PRC, but sales price adjustments pushed up sales of core products. Sales of polyphenylene sulfide (PPS) compounds also expanded, notwithstanding waning shipments for use in automobile production both in Japan and overseas, owing to ongoing efforts to modify sales prices, which boosted shipments for applications other than automobile production, including housing equipment.

Segment operating income decreased 7.8%, to ¥18.8 billion. This was despite steady efforts to adjust sales prices for numerous products to pass on energy, logistics and raw materials cost increases amid falling shipments, particularly of epoxy resins and other high-value-added products in the area of digital materials, which came up short.

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(3) Operating Results Forecasts for Fiscal Year 2022

DIC has revised its operating results forecasts, published on August 10, 2022, as indicated below.

(Billions of yen)

	FY2021	FY2022	Change (%)	Change (%) [Local currency basis]
Net sales	855.4	1,080.0 [1,100.0]	26.3%	17.9%
Operating income	42.9	40.0 [50.0]	-6.7%	-0.3%
Ordinary income	43.8	43.5 [51.0]	-0.6%	—
Net income attributable to owners of the parent	4.4	20.0 [26.0]	358.2%	—
¥/US\$1.00 (Average rate)	109.75	132.00	20.3%	—
¥/EUR1.00 (Average rate)	129.73	142.00	9.5%	—

Note: Forecasts in squared parentheses are those published on August 10, 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 spiraling global energy, logistics and raw materials costs. Nonetheless, with shipments projected to be lower than formerly anticipated, owing to an economic slowdown in Europe and a delay in the PRC's recovery from pandemic lockdowns, combined with shrinking demand for digital materials, particularly for use in electrical and electronics equipment and displays, full-term net sales are now expected to fall short of the previously announced forecast. Income results are also likely to reflect the decline in net sales and the impact of higher energy costs in Europe, with operating income, ordinary income and net income attributable to owners of the parent now expected to be below forecasts. In light of these factors, DIC has revised its full-term 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.

Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year as of December 31, 2021	Third quarter of current fiscal year as of September 30, 2022
(Assets)		
Current assets		
Cash and deposits	38,253	70,271
Notes and accounts receivable - trade	237,916	262,896
Merchandise and finished goods	132,773	181,262
Work in process	9,651	12,673
Raw materials and supplies	91,199	132,338
Other	36,282	48,844
Allowance for doubtful accounts	(3,959)	(5,197)
Total current assets	542,114	703,087
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	103,039	131,562
Machinery, equipment and vehicles, net	109,519	121,095
Tools, furniture and fixtures, net	14,930	16,364
Land	64,219	66,944
Construction in progress	15,978	24,726
Total property, plant and equipment	307,684	360,690
Intangible assets		
Goodwill	20,182	36,103
Software	4,002	6,514
Customer-related assets	3,107	9,697
Other	25,022	27,731
Total intangible assets	52,313	80,044
Investments and other assets		
Investment securities	59,289	60,939
Net defined benefit asset	69,715	74,289
Other	40,522	40,428
Allowance for doubtful accounts	(156)	(101)
Total investments and other assets	169,370	175,555
Total non-current assets	529,367	616,289
Total assets	1,071,481	1,319,376

Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year as of December 31, 2021	Third quarter of current fiscal year as of September 30, 2022
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	145,816	157,781
Short-term loans payable	47,568	51,208
Commercial papers	—	30,000
Current portion of bonds payable	20,000	30,000
Income taxes payable	5,640	2,054
Provision for bonuses	6,125	5,454
Other	80,426	103,300
Total current liabilities	305,575	379,797
Non-current liabilities		
Bonds payable	140,000	110,000
Long-term loans payable	171,443	287,000
Net defined benefit liability	35,989	37,422
Asset retirement obligations	7,689	8,757
Other	29,776	48,663
Total non-current liabilities	384,897	491,842
Total liabilities	690,473	871,639
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,468	94,234
Retained earnings	214,665	222,993
Treasury shares	(1,780)	(1,784)
Total shareholders' equity	403,910	412,000
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,449	4,513
Deferred gains or losses on hedges	92	469
Foreign currency translation adjustment	(55,456)	7,754
Remeasurements of defined benefit plans	(8,067)	(12,081)
Total accumulated other comprehensive income	(57,983)	656
Non-controlling interests	35,081	35,081
Total net assets	381,008	447,737
Total liabilities and net assets	1,071,481	1,319,376

Consolidated Quarterly Statement of Income

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	615,842	795,151
Cost of sales	482,597	639,091
Gross profit	133,246	156,060
Selling, general and administrative expenses		
Employees' salaries and allowances	36,422	46,097
Provision of allowance for doubtful accounts	76	943
Provision for bonuses	3,148	3,270
Retirement benefit expenses	(544)	(1,780)
Other	60,885	74,675
Total selling, general and administrative expenses	99,986	123,205
Operating income	33,259	32,855
Non-operating income		
Interest income	914	1,183
Dividends income	360	435
Foreign exchange gains	503	2,591
Equity in earnings of affiliates	1,688	1,829
Other	1,525	1,696
Total non-operating income	4,990	7,733
Non-operating expenses		
Interest expenses	1,516	2,785
Other	2,831	2,191
Total non-operating expenses	4,347	4,976
Ordinary income	33,902	35,612
Extraordinary income		
Settlement income	—	1,055
Gain on sale of non-current assets	310	913
Gain on sale of investment securities	—	427
Gain on sale of subsidiaries' and affiliates' securities	769	—
Total extraordinary income	1,079	2,395
Extraordinary losses		
Severance costs	408	2,619
Loss on disposal of non-current assets	1,904	1,593
Impairment losses	1,277	1,065
Loss on withdrawal from business	—	569
Acquisition-related expenses	6,393	—
Total extraordinary losses	9,982	5,846
Income before income taxes	24,999	32,160
Income taxes	8,070	13,236
Net income	16,928	18,924
Net income attributable to non-controlling interests	1,644	1,118
Net income attributable to owners of the parent	15,285	17,806

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Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net income	16,928	18,924
Other comprehensive income		
Valuation difference on available-for-sale securities	2,890	(928)
Deferred gains or losses on hedges	(2,453)	378
Foreign currency translation adjustment	22,458	64,374
Remeasurements of defined benefit plans, net of tax	(869)	(4,010)
Share of other comprehensive income of associates accounted for using equity method	1,037	45
Total other comprehensive income	23,063	59,859
Comprehensive income	39,991	78,783
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	37,347	76,445
Comprehensive income attributable to non-controlling interests	2,644	2,338