

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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Color & Comfort



MEMBERSHIP

Consolidated Financial Results for the Nine Months Ended September 30, 2023 (Japan GAAP)
(The fiscal year ending December 31, 2023)

November 14, 2023
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, 2023

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, 2023 (January 1, 2023 – September 30, 2023)

(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, 2023	781,618	-1.7	13,165	-59.9	9,141	-74.3	(2,759)	—
Nine months ended September 30, 2022	795,151	29.1	32,855	-1.2	35,612	5.0	17,806	16.5

Note: Comprehensive income (JPY million): Nine months ended September 30, 2023 42,739 (-45.8%)
Nine months ended September 30, 2022 78,783 (97.0%)

	Earnings per share (basic)	Earnings per share (diluted)
	JPY	JPY
Nine months ended September 30, 2023	(29.14)	—
Nine months ended September 30, 2022	188.12	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of September 30, 2023	1,343,014	454,030	31.2
As of December 31, 2022	1,261,637	421,088	30.7

Reference: Shareholders' equity (JPY million): As of September 30, 2023 418,486 As of December 31, 2022 386,997

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
FY2022	—	50.00	—	50.00	100.00
FY2023	—	50.00	—	—	—
FY2023 (Plan)	—	—	—	30.00	80.00

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

3. Forecasts for Consolidated Operating Results for the Fiscal Year Ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(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
FY2023	1,050,000	-0.4	15,000	-62.2	9,000	-77.5	(9,000)	—	(95.08)

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2023: Yes

For details, please refer to "Analysis of Results of Operations (3) Operating Results Forecasts for Fiscal Year 2023" on page 4.

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Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the nine months ended September 30, 2023: 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 September 30, 2023 95,156,904 shares, As of December 31, 2022 95,156,904 shares

- 2) Number of treasury shares at the end of the period

As of September 30, 2023 496,889 shares, As of December 31, 2022 504,123 shares

- 3) Average number of shares issued during the period, excluding treasury shares

For the nine months ended September 30, 2023 94,659,963 shares, For the nine months ended September 30, 2022 94,654,204 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 4.

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Analysis of Results of Operations

(1) Overview of Operating Results

(Billions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Change (%)	Change (%) [Local currency basis]
Net sales	795.2	781.6	-1.7%	-5.7%
Operating income	32.9	13.2	-59.9%	-57.3%
Ordinary income	35.6	9.1	-74.3%	—
Net income attributable to owners of the parent	17.8	(2.8)	Loss	—
EBITDA *	68.1	49.3	-27.5%	—
¥/US\$1.00 (Average rate)	127.87	138.81	8.6%	—
¥/EUR1.00 (Average rate)	136.26	150.37	10.4%	—

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

In the nine months ended September 30, 2023, consolidated net sales edged down 1.7%, to ¥781.6 billion. Uncertainties persisted in the global economy, owing to such factors as the continued pursuit of inflation-curbing monetary policies in the United States and Europe, geopolitical risks attributable to the protracted crisis in Ukraine, and a slowing economic recovery in the People's Republic of China (PRC) caused by a slumping real estate sector, among others, as a result of which demand for goods flagged in all regions and efforts to modify inventories were seen in various industry sectors. Against this backdrop, demand trends in core customer industries varied. In the area of digital materials, used principally in electrical and electronics equipment and in displays, demand picked up, especially for products used in displays, underpinned by the completion of inventory adjustments by display manufacturers. The semiconductor market showed signs of bottoming out, but a full-scale demand revival appeared likely to take time. In industrial materials,* used primarily in mobility solutions, an upturn in vehicle sales was seen worldwide, contributing to the resolution of surplus inventories of materials for use in automobiles across the supply chain, but demand remained in recovery mode. Reflecting these trends, while shipments rallied for certain products and in some regions, conditions remained challenging, particularly in the Color & Display segment—which saw sagging shipments of pigments for coatings and for plastics, among others, a consequence of prolonged economic stagnation in Europe, a leading market for these products, and falling demand for consumer goods caused by rising prices in the United States—and in the Functional Products segment, where shipments of high-value-added digital materials and industrial materials remained generally sluggish.

Operating income fell 59.9%, to ¥13.2 billion. This sharp decrease was despite efforts in all segments to pass on rising costs, including by modifying sales prices, together with a gain in the Packaging & Graphic segment, and was largely a result of sinking shipments of pigments, mainly those for coatings and for plastics, in the Color & Display segment, and of high-value-added products, including those in the Functional Products segment. Another contributing factor was the temporary suspension of operations at certain production sites in the United States and Europe, a move aimed at paring inventories of pigments, notably those for coatings and for plastics.

Ordinary income, at ¥9.1 billion, dropped 74.3%.

Net loss attributable to owners of the parent amounted to ¥2.8 billion.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined 27.5%, to ¥49.3 billion.

*DIC uses the term “industrial materials” to describe products for use in mobility solutions, namely, automobiles, railroads and shipping, and for general industrial applications such as construction equipment and industrial machinery.

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(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Change (%)	Change (%) [Local currency basis]	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Change (%)	Change (%) [Local currency basis]
Packaging & Graphic	397.3	405.0	1.9%	-2.4%	13.8	13.9	0.7%	3.3%
Color & Display	195.3	175.6	-10.1%	-15.9%	7.2	(4.4)	Loss	Loss
Functional Products	234.5	228.8	-2.4%	-4.4%	18.8	11.2	-40.4%	-41.8%
Others, Corporate and eliminations	(32.0)	(27.7)	—	—	(7.0)	(7.5)	—	—
Total	795.2	781.6	-1.7%	-5.7%	32.9	13.2	-59.9%	-57.3%

Packaging & Graphic

	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Change (%)	Change (%) [Local currency basis]
Net sales	¥397.3 billion	¥405.0 billion	1.9%	-2.4%
Operating income	¥13.8 billion	¥13.9 billion	0.7%	3.3%

Segment sales advanced 1.9%, to ¥405.0 billion. Shipments of packaging inks, used chiefly on packaging for food products, were up in the PRC, underpinned by efforts to cultivate new customers, but slumped overall as rising prices depressed demand for consumer goods in other regions. Nonetheless, sales of these products were essentially level thanks to successful efforts to adjust sales prices worldwide. Sales of publication inks, which center on inks for commercial printing and news inks, decreased, despite moves to modify prices in all regions, which lifted sales in Japan, as dwindling demand and price competition with rival manufacturers pushed shipments down in the Americas and Europe, as well as in Asia. Sales of jet inks, used in digital printing, were bolstered by the positive impact of a weak yen on sales denominated in other currencies, which countered a slow recovery in demand, especially from overseas customers, and persistently weak shipments, amid inventory adjustments and other measures implemented in response to rising prices and interest rates in the United States and Europe.

Segment operating income edged up 0.7%, to ¥13.9 billion. On a local currency basis, the gain was 3.3%. In Japan, shipments of high-value-added jet inks remained sluggish, although efforts to counter higher costs in the area of packaging inks and publication inks by modifying sales prices progressed. Operating income overseas was up overall, buttressed by increased shipments of packaging inks in the PRC, which boosted results in Asia, together with moves to maintain sales prices for packaging inks and publication inks in the Americas and Europe.

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Color & Display

	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥195.3 billion	¥175.6 billion	-10.1%	-15.9%
Operating income	¥7.2 billion	¥(4.4) billion	Loss	Loss

Segment sales declined 10.1%, to ¥175.6 billion. Shipments of pigments for coatings and for plastics, which account for a significant proportion of segment sales, were down overall. Factors behind this result included falling demand and ongoing moves by customers to curtail inventories, both consequences of slowing economic growth in Europe, a leading market for these products, and rising prices in the United States. Among high-value-added products, shipments of pigments for color filters, used in displays, were firm, underpinned by the completion of inventory adjustments by display manufacturers. In pigments for cosmetics, shipments in the Americas and Europe were listless, hindered by rising prices, but demand in Asia rallied, bolstered by a delayed return to pre-COVID-19 lifestyles. In pigments for specialty applications, shipments of products for agricultural use flagged, a consequence of inventory adjustments by customers, and shipments of pigments for use in building materials remained sluggish in Europe, a primary market for these products, owing to the protracted crisis in Ukraine.

The segment reported an operating loss of ¥4.4 billion. This was despite steady shipments of pigments for color filters and for cosmetics, and was attributable to dwindling shipments of pigments for coatings and for plastics, particularly in Europe, combined with stagnant shipments of high-value-added pigments for specialty applications. The segment loss was also due to the temporary suspension of operations at certain production sites in the United States and Europe, a move aimed at paring inventories of pigments, notably those for coatings and for plastics.

Functional Products

	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥234.5 billion	¥228.8 billion	-2.4%	-4.4%
Operating income	¥18.8 billion	¥11.2 billion	-40.4%	-41.8%

Segment sales dipped 2.4%, to ¥228.8 billion. In digital materials, used principally in electrical and electronics equipment and in displays, sales of epoxy resins, the foremost application for which is semiconductors, were down as shipments remained lackluster overall, despite signs that the market had bottomed out, as well as an upturn in shipments of certain products. Sales of industrial-use adhesive tapes, used mainly in smartphones and other mobile devices, were boosted by rising demand. Sales of industrial materials, used primarily in mobility solutions, rose. This was despite a slower-than-expected recovery in shipments of materials for use in automobiles as the resolution of surplus inventories across the supply chain progressed, and was thanks to the addition of the sales of Guangdong DIC TOD Resins Co., Ltd., a coating resins manufacturer in the PRC acquired in July 2022. Sales of polyphenylene sulfide (PPS) compounds advanced, despite shipments for use in automobiles remaining in recovery mode, bolstered by the positive impact of factors such as sales price adjustments.

Segment operating income fell 40.4%, to ¥11.2 billion. This substantial decrease was despite efforts to modify sales prices for all products to pass on cost increases and reflected sluggish shipments of high-value-added products used in electrical and electronics equipment and in mobility solutions.

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(3) Operating Results Forecasts for Fiscal Year 2023

DIC has revised its operating results forecasts, published on August 9, 2023, as indicated below.

	FY2022	FY2023	Change (%)	Change (%) [Local currency basis]
Net sales	1,054.2	1,050.0 [1,060.0]	-0.4%	-2.6%
Operating income	39.7	15.0 [25.0]	-62.2%	-56.5%
Ordinary income	39.9	9.0 [20.0]	-77.5%	—
Net income attributable to owners of the parent	17.6	(9.0) [4.0]	Loss	—
EBITDA	85.5	60.0 [70.0]	-29.8%	—
¥/US\$1.00 (Average rate)	130.59	141.00	8.0%	—
¥/EUR1.00 (Average rate)	137.71	153.00	11.1%	—

Note: Forecasts in squared parentheses are those published on August 9, 2023.

Reasons for Revision of Operating Results Forecasts

Owing to falling demand, a consequence of prolonged economic stagnation in Europe and rising prices in the United States, a recovery in shipments of pigments, notably those for coatings and for plastics, by the end of 2023 is improbable. Moreover, the downturn in shipments of high-value-added products, notably those in the Functional Products segment, continues to exceed expectations, owing to a delay in the recovery of the electronics market. As a consequence, net sales are expected to fall short of forecasts. In addition, operating rate adjustments at certain pigment production sites in the United States and Europe, undertaken to reduce inventories, are taking longer than anticipated, which is likely to amplify the impact of decreased production on income, pushing operating income, ordinary income and net income attributable to owners of the parent down below forecasts. In light of these factors, DIC has revised its forecasts for the fiscal year 2023 full term.

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, 2022	Third Quarter of Current Fiscal Year as of September 30, 2023
(Assets)		
Current assets		
Cash and deposits	63,380	86,187
Notes and accounts receivable - trade	247,520	248,343
Merchandise and finished goods	182,572	189,468
Work in process	11,656	12,655
Raw materials and supplies	116,522	104,810
Other	42,432	43,884
Allowance for doubtful accounts	(4,116)	(4,619)
Total current assets	659,967	680,728
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	128,742	137,240
Machinery, equipment and vehicles, net	119,110	136,605
Tools, furniture and fixtures, net	17,089	18,146
Land	66,353	69,100
Construction in progress	22,242	27,705
Total property, plant and equipment	353,536	388,797
Intangible assets		
Goodwill	33,641	41,848
Software	10,277	11,909
Customer-related assets	9,609	12,038
Other	25,238	27,053
Total intangible assets	78,764	92,848
Investments and other assets		
Investment securities	63,819	68,957
Net defined benefit asset	64,383	69,403
Other	41,267	42,379
Allowance for doubtful accounts	(98)	(98)
Total investments and other assets	169,371	180,641
Total non-current assets	601,671	662,286
Total assets	1,261,637	1,343,014

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Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous Fiscal Year as of December 31, 2022	Third Quarter of Current Fiscal Year as of September 30, 2023
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	154,964	141,246
Short-term loans payable	61,983	80,580
Commercial papers	30,000	53,000
Current portion of bonds payable	30,000	30,000
Income taxes payable	5,650	3,402
Provision for bonuses	5,555	4,595
Other	101,740	96,849
Total current liabilities	389,892	409,671
Non-current liabilities		
Bonds payable	110,000	95,000
Long-term loans payable	260,259	296,673
Net defined benefit liability	28,742	31,161
Asset retirement obligations	8,449	9,493
Other	43,208	46,985
Total non-current liabilities	450,657	479,312
Total liabilities	840,549	888,983
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,234	94,234
Retained earnings	222,796	210,560
Treasury shares	(1,785)	(1,754)
Total shareholders' equity	411,802	399,597
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,360	6,937
Deferred gains or losses on hedges	694	395
Foreign currency translation adjustment	(17,286)	29,336
Remeasurements of defined benefit plans	(13,573)	(17,779)
Total accumulated other comprehensive income	(24,805)	18,889
Non-controlling interests	34,091	35,544
Total net assets	421,088	454,030
Total liabilities and net assets	1,261,637	1,343,014

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Consolidated Quarterly Statement of Income

(Millions of yen)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2023
Net sales	795,151	781,618
Cost of sales	639,091	639,982
Gross profit	156,060	141,635
Selling, general and administrative expenses		
Employees' salaries and allowances	46,097	49,348
Provision of allowance for doubtful accounts	943	250
Provision for bonuses	3,270	2,903
Retirement benefit expenses	(1,780)	(168)
Other	74,675	76,139
Total selling, general and administrative expenses	123,205	128,471
Operating income	32,855	13,165
Non-operating income		
Interest income	1,183	4,528
Dividends income	435	473
Foreign exchange gains	2,591	—
Equity in earnings of affiliates	1,829	1,773
Other	1,696	1,286
Total non-operating income	7,733	8,060
Non-operating expenses		
Interest expenses	2,785	8,533
Foreign exchange losses	—	1,144
Other	2,191	2,407
Total non-operating expenses	4,976	12,084
Ordinary income	35,612	9,141
Extraordinary income		
Gain on sales of non-current assets	913	1,035
Gain on sales of investment securities	427	573
Insurance claim income	—	341
Settlement income	1,055	—
Total extraordinary income	2,395	1,949
Extraordinary losses		
Loss on disposal of non-current assets	1,593	1,605
Severance costs	2,619	1,495
Impairment losses	1,065	1,002
Loss on withdrawal from business	569	—
Total extraordinary losses	5,846	4,102
Income before income taxes	32,160	6,988
Income taxes	13,236	9,077
Net income (loss)	18,924	(2,089)
Net income attributable to non-controlling interests	1,118	670
Net income (loss) attributable to owners of the parent	17,806	(2,759)

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2023
Net income (loss)	18,924	(2,089)
Other comprehensive income		
Valuation difference on available-for-sale securities	(928)	1,721
Deferred gains or losses on hedges	378	(294)
Foreign currency translation adjustment	64,374	46,799
Remeasurements of defined benefit plans, net of tax	(4,010)	(4,139)
Share of other comprehensive income of associates accounted for using equity method	45	741
Total other comprehensive income	59,859	44,828
Comprehensive income	78,783	42,739
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	76,445	40,935
Comprehensive income attributable to non-controlling interests	2,338	1,803