

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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Consolidated Financial Results for the Three Months Ended March 31, 2020 (Japan GAAP)
(The fiscal year ending December 31, 2020)

May 15, 2020
Stock Exchange: Tokyo
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Company Name: DIC Corporation

Listing Code Number: 4631

Scheduled Filing Date of Securities Report: May 15, 2020

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 Three Months Ended March 31, 2020 (January 1, 2020 - March 31, 2020)

(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, 2020	181,655	-4.7	9,924	22.7	8,292	1.9	4,605	-13.2
Three months ended March 31, 2019	190,708	-2.8	8,086	-26.7	8,134	-26.3	5,302	-28.4

Note: Comprehensive income (JPY million): Three months ended March 31, 2020 -8,769 (－%)
Three months ended March 31, 2019 6,985 (－%)

	Earnings per share basic	Earnings per share diluted
	JPY	JPY
Three months ended March 31, 2020	48.65	—
Three months ended March 31, 2019	56.02	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of March 31, 2020	864,663	330,492	34.7
As of December 31, 2019	803,083	343,497	38.9

Reference: Shareholders' equity (JPY million): As of March 31, 2020 300,014 As of December 31, 2019 312,740

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
FY2019	—	60.00	—	40.00	100.00
FY2020	—	—	—	—	—
FY2020 (Plan)	—	55.00	—	55.00	110.00

Note: Revision of the forecasts for the dividends payment: No

3. Forecasts for Consolidated Operating Results for the Fiscal Year Ending December 31, 2020 (January 1, 2020 - December 31, 2020)

(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 FY2020	395,000	2.6	20,000	8.7	19,000	0.0	10,000	-23.8
FY2020	810,000	5.4	45,000	8.9	44,000	6.5	23,500	—
								248.30

Note: Revision of the forecasts for the consolidated operating results for the fiscal year ending December 31, 2020: No

Notes

(1) Changes in the scope of consolidation for significant subsidiaries during the three months ended March 31, 2020: No

(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): 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 March 31, 2020	95,156,904 shares,	As of December 31, 2019	95,156,904 shares
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2) Number of treasury shares at the end of the period

As of March 31, 2020	506,988 shares,	As of December 31, 2019	511,622 shares
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3) Average number of shares issued during the period, excluding treasury shares

For the three months ended March 31, 2020	94,648,885 shares,	For the three months ended March 31, 2019	94,646,813 shares
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* From the fiscal year ended December 31, 2017, the Company 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 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.

Analysis of Results of Operations

(1) Overview of Operating Results

(Billions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	190.7	181.7	-4.7%	-2.0%
Operating income	8.1	9.9	22.7%	27.3%
Ordinary income	8.1	8.3	1.9%	—
Net income attributable to owners of the parent	5.3	4.6	-13.2%	—
EBITDA*	15.3	14.4	-6.4%	—
¥/US\$1.00 (Average rate)	110.17	108.72	-1.3%	—
¥/EUR1.00 (Average rate)	125.09	119.68	-4.3%	—

* 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, 2020, consolidated net sales declined 4.7%, to ¥181.7 billion. Owing to the global spread of the COVID-19 pandemic and associated restrictions on economic activity, economic growth slowed sharply, as a result of which shipments sank in multiple areas, including publication inks and pigments for cosmetics. In contrast, thanks to rising demand for daily necessities such as food packaging and semiconductor devices and other products for 5G cellular networks, shipments of related products were firm.

Operating income advanced 22.7%, to ¥9.9 billion. This steep increase occurred despite generally sluggish shipments and reflected cost reductions due to lower raw materials prices, a decrease in activity expenses arising from restrictions on economic activity designed to prevent the spread of COVID-19, and rationalization measures.

Ordinary income edged up 1.9%, to ¥8.3 billion.

Net income attributable to owners of the parent was down 13.2%, to ¥4.6 billion. The principal factor behind this result was one-time costs associated with the acquisition of BASF SE's Colors & Effects business, which was announced on August 29, 2019.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined 6.4%, to ¥14.4 billion.

(2) Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	Three months ended March 31, 2019	Three months ended March 31, 2020	Change (%)	Change (%) (Local currency basis)	Three months ended March 31, 2019	Three months ended March 31, 2020	Change (%)	Change (%) (Local currency basis)
Packaging & Graphic	103.3	99.3	-3.9%	-0.2%	3.2	4.0	24.2%	32.6%
Color & Display	31.0	29.5	-4.6%	-2.0%	2.9	2.7	-5.4%	-3.6%
Functional Products	65.0	61.2	-5.9%	-5.0%	3.6	4.8	34.0%	35.1%
Others, Corporate and eliminations	(8.6)	(8.4)	—	—	(1.6)	(1.6)	—	—
Total	190.7	181.7	-4.7%	-2.0%	8.1	9.9	22.7%	27.3%

Packaging & Graphic

	Three months ended March 31, 2019	Three months ended March 31, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥103.3 billion	¥99.3 billion	-3.9%	-0.2%
Operating income	¥3.2 billion	¥4.0 billion	24.2%	32.6%

Segment sales decreased 3.9%, to ¥99.3 billion. In the area of materials for food packaging, an increase in demand for consumer food products due to COVID-19 boosted sales of packaging inks in the Americas and Europe, among others, and of coextruded multilayer films, primarily in Japan. In contrast, sales of publication inks, which center on publishing inks and news inks, declined, as the spread of the pandemic discouraged demand for print advertisements and leaflets, weakening sales to commercial printers. Sales of jet inks for digital printing were also down.

Segment operating income climbed 24.2%, to ¥4.0 billion. This result was attributable to higher shipments of packaging inks and rationalization in the Americas and Europe, as well as to the progress of cost-cutting measures.

Color & Display

	Three months ended March 31, 2019	Three months ended March 31, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥31.0 billion	¥29.5 billion	-4.6%	-2.0%
Operating income	¥2.9 billion	¥2.7 billion	-5.4%	-3.6%

Segment sales slipped 4.6%, to ¥29.5 billion. In the area of color materials, shipments of general-purpose pigments, especially those for packaging inks, were firm, bolstered by rising demand for use in food packaging, while shipments of pigments for cosmetics languished, owing to stay-at-home measures worldwide. Sales of display materials were down, owing to flagging shipments of thin-film transistor liquid crystals (TFT LCs).

Segment operating income declined 5.4%, to ¥2.7 billion. Contributing factors included a decrease in shipments of TFT LCs and waning shipments of pigments for cosmetics, which countered the positive impact of cost reductions.

Functional Products

	Three months ended March 31, 2019	Three months ended March 31, 2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥65.0 billion	¥61.2 billion	-5.9%	-5.0%
Operating income	¥3.6 billion	¥4.8 billion	34.0%	35.1%

Segment sales decreased 5.9%, to ¥61.2 billion. Despite robust shipments of epoxy resins and industrial-use tapes, the principal applications for which are semiconductor devices and smartphones, the spread of COVID-19 pushed down demand for a wide range of products for automobiles and other industrial applications, as a result of which sales of environment-friendly resins other than ultraviolet (UV)-curable resins declined. Nonetheless, shipments of polyphenylene sulfide (PPS) compounds—use of which continues to expand, underpinned by the trend toward lighter and increasingly electrified vehicles—were steady, particularly in overseas markets, thanks to customers' efforts to secure inventories.

Segment operating income soared 34.0%, to ¥4.8 billion. This result was despite dwindling shipments overall and reflected brisk shipments of epoxy resins and other high-value-added products and lower raw materials prices.

(3) Operating Results Forecasts for the First Half of Fiscal Year 2020 and Fiscal Year 2020

(Billions of yen)

	First half of FY2019	First half of FY2020	Change (%)	FY2019	FY2020	Change (%)
Net sales	385.0	395.0	2.6%	768.6	810.0	5.4%
Operating income	18.4	20.0	8.7%	41.3	45.0	8.9%
Ordinary income	19.0	19.0	0.0%	41.3	44.0	6.5%
Net income attributable to owners of the parent	13.1	10.0	-23.8%	23.5	23.5	— %

Note: Forecasts are unchanged from those published on February 14, 2020.

Given the current lack of clarity regarding the duration of the COVID-19 pandemic, it is expected that economic activity will remain restricted for some time, affecting results in a wide range of businesses. As a consequence, and because it is difficult to reasonably calculate the impact of this situation on its performance, DIC has not revised its operating results forecasts for the first half of fiscal year 2020 and fiscal year 2020. Should the current situation and/or trends in its various businesses make it necessary to revise these forecasts, the Company will promptly issue notification.

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, 2019	As of March 31, 2020
(Assets)		
Current assets		
Cash and deposits	16,786	100,977
Notes and accounts receivable-trade	211,232	195,417
Merchandise and finished goods	91,555	90,187
Work in process	9,566	10,069
Raw materials and supplies	58,610	57,254
Other	21,607	23,772
Allowance for doubtful accounts	(9,437)	(9,371)
Total current assets	399,919	468,306
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	88,540	85,922
Machinery, equipment and vehicles, net	70,867	68,534
Tools, furniture and fixtures, net	11,191	10,947
Land	51,961	51,416
Construction in progress	9,616	11,083
Total property, plant and equipment	232,176	227,901
Intangible assets		
Goodwill	762	685
Software	2,585	2,511
Customer-related assets	2,674	2,323
Other	5,782	5,561
Total intangible assets	11,804	11,079
Investments and other assets		
Investment securities	59,313	54,837
Net defined benefit asset	44,339	46,116
Other	56,212	57,092
Allowance for doubtful accounts	(680)	(669)
Total investments and other assets	159,184	157,376
Total non-current assets	403,164	396,357
Total assets	803,083	864,663

Consolidated Quarterly Balance Sheet

(Millions of yen)

	As of December 31, 2019	As of March 31, 2020
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	108,562	106,907
Short-term loans payable	43,595	52,026
Commercial papers	—	58,000
Income taxes payable	2,556	2,201
Provision for bonuses	5,724	5,251
Other	49,689	50,108
Total current liabilities	210,126	274,493
Non-current liabilities		
Bonds payable	80,000	80,000
Long-term loans payable	122,602	136,214
Net defined benefit liability	21,377	20,333
Asset retirement obligations	1,696	1,701
Other	23,785	21,430
Total non-current liabilities	249,459	259,678
Total liabilities	459,585	534,171
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,456	94,456
Retained earnings	218,209	219,022
Treasury shares	(1,823)	(1,804)
Total shareholders' equity	407,398	408,231
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,676	(168)
Deferred gains or losses on hedges	683	(19)
Foreign currency translation adjustment	(72,671)	(85,522)
Remeasurements of defined benefit plans	(24,346)	(22,508)
Total accumulated other comprehensive income	(94,658)	(108,217)
Non-controlling interests	30,757	30,479
Total net assets	343,497	330,492
Total liabilities and net assets	803,083	864,663

Consolidated Quarterly Statement of Income

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Net sales	190,708	181,655
Cost of sales	151,116	140,625
Gross profit	39,592	41,030
Selling, general and administrative expenses		
Employees' salaries and allowances	10,723	10,705
Provision of allowance for doubtful accounts	205	240
Provision for bonuses	1,102	1,067
Retirement benefit expenses	236	(16)
Other	19,240	19,109
Total selling, general and administrative expenses	31,506	31,106
Operating income	8,086	9,924
Non-operating income		
Interest income	549	430
Dividends income	175	191
Equity in earnings of affiliates	337	—
Other	619	610
Total non-operating income	1,680	1,232
Non-operating expenses		
Interest expenses	954	689
Commission expenses	—	676
Foreign exchange losses	89	210
Equity in losses of affiliates	—	234
Other	589	1,055
Total non-operating expenses	1,632	2,864
Ordinary income	8,134	8,292
Extraordinary loss		
Acquisition related expenses	—	1,028
Loss on disposal of non-current assets	508	527
Severance costs	23	105
Total extraordinary loss	531	1,661
Income before income taxes and non-controlling interests	7,603	6,631
Income taxes	1,761	1,505
Net income	5,842	5,127
Net income attributable to non-controlling interests	540	522
Net income attributable to owners of the parent	5,302	4,605

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Net income	5,842	5,127
Other comprehensive income		
Valuation difference on available-for-sale securities	(16)	(1,886)
Deferred gains or losses on hedges	1	(702)
Foreign currency translation adjustment	1,300	(12,421)
Remeasurements of defined benefit plans, net of tax	44	1,844
Share of other comprehensive income of associates accounted for using equity method	(186)	(732)
Total other comprehensive income	1,143	(13,896)
Comprehensive income	6,985	(8,769)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,342	(8,954)
Comprehensive income attributable to non-controlling interests	643	185