

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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Consolidated Financial Results for the Three Months Ended March 31, 2023 (Japan GAAP)
(The fiscal year ending December 31, 2023)

May 15, 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:

May 15, 2023

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, 2023 (January 1, 2023 - March 31, 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)	%
Three months ended March 31, 2023	255,237	1.7	5,983	-49.0	4,575	-63.1	1,897	-74.4
Three months ended March 31, 2022	250,958	31.9	11,723	-16.1	12,406	-16.2	7,404	-27.4

Note: Comprehensive income (JPY million): Three months ended March 31, 2023 5,404 (-79.7%)
Three months ended March 31, 2022 26,666 (-5.8%)

	Earnings per share (basic)		Earnings per share (diluted)	
	JPY	JPY	JPY	JPY
Three months ended March 31, 2023	20.04	—	—	—
Three months ended March 31, 2022	78.22	—	—	—

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio to total assets	
	JPY (million)	JPY (million)	JPY (million)	JPY (million)	%	%
As of March 31, 2023	1,309,588	421,519	421,519	29.6		
As of December 31, 2022	1,261,637	421,088	421,088	30.7		

Reference: Shareholders' equity (JPY million): As of March 31, 2023 387,281 As of December 31, 2022 386,997

2. Cash Dividends

(Record date)	Cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual
FY2022	—	50.00	—	50.00	100.00
FY2023	—	—	—	—	—
FY2023(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, 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	JPY
First half of FY2023	520,000	-0.3	14,000	-41.6	12,000	-54.1	3,000	-79.2	31.69	
FY2023	1,100,000	4.3	38,000	-4.2	34,000	-14.9	17,000	-3.5	179.59	

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 2023 and Fiscal Year 2023" on page 4.

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Notes

- (1) Changes in the scope of consolidation for significant subsidiaries during the three months ended March 31, 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 March 31, 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 March 31, 2023 | 495,718 shares, | As of December 31, 2022 | 504,123 shares |
| 3) Average number of shares issued during the period, excluding treasury shares | | | |
| For the three months ended March 31, 2023 | 94,659,269 shares, | For the three months ended March 31, 2022 | 94,654,708 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)

	Three months ended March 31, 2022	Three months ended March 31, 2023	Change (%)	Change (%) [Local currency basis]
Net sales	251.0	255.2	1.7%	-3.8%
Operating income	11.7	6.0	-49.0%	-49.2%
Ordinary income	12.4	4.6	-63.1%	—
Net income attributable to owners of the parent	7.4	1.9	-74.4%	—
EBITDA *	23.3	17.0	-26.8%	—
¥/US\$1.00 (Average rate)	117.03	133.02	13.7%	—
¥/EUR1.00 (Average rate)	131.32	142.71	8.7%	—

* 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, 2023, consolidated net sales increased 1.7%, to ¥255.2 billion. On a local currency basis, however, consolidated net sales slipped 3.8%. Despite the easing of restrictions on movement imposed to curb the spread of COVID-19, 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 and the protracted crisis in Ukraine, while concerns regarding interest rates and an economic slowdown spurred inventory adjustments in multiple industries. 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 as the market for products for displays rallied, underpinned by the progress of inventory adjustments by display manufacturers that began in the preceding fiscal year, although the semiconductor market overall was sluggish as demand for finished products remained weak. In industrial materials,* used primarily in mobility solutions, a recovery in production volume was seen worldwide, but inventory adjustments across the supply chain continued, while the end of government subsidies and tax breaks for the purchase of electric vehicles (EVs) in the People's Republic of China (PRC) hindered local vehicle unit sales in the three months under review. Reflecting these trends, shipments of high-value-added products, notably those in the Functional Products segment, were down. In the Color & Display segment, pigments were affected by slowing economic growth in Europe, a leading market for these products, as a result of which shipments of pigments for coatings and for plastics, among others, sagged.

Operating income fell 49.0%, to ¥6.0 billion. This sharp decrease was despite the progress of efforts in all segments to pass on higher costs, mainly for raw materials, by modifying sales prices, and was due largely to sinking shipments of high-value-added products used in electrical and electronics equipment and in mobility solutions, and of pigments.

Ordinary income, at ¥4.6 billion, dropped 63.1%.

Net income attributable to owners of the parent plummeted 74.4%, to ¥1.9 billion.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined 26.8%, to ¥17.0 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 (losses)			
	Three months ended March 31, 2022	Three months ended March 31, 2023	Change (%)	Change (%) [Local currency basis]	Three months ended March 31, 2022	Three months ended March 31, 2023	Change (%)	Change (%) [Local currency basis]
Packaging & Graphic	120.9	131.5	8.8%	2.4%	3.4	3.6	4.8%	8.8%
Color & Display	66.2	60.5	-8.7%	-16.1%	3.8	1.4	-64.1%	-62.8%
Functional Products	74.2	73.4	-1.0%	-3.7%	6.6	3.1	-52.6%	-55.0%
Others, Corporate and eliminations	(10.3)	(10.2)	—	—	(2.1)	(2.1)	—	—
Total	251.0	255.2	1.7%	-3.8%	11.7	6.0	-49.0%	-49.2%

Packaging & Graphic

	Three months ended March 31, 2022	Three months ended March 31, 2023	Change (%)	Change (%) [Local currency basis]
Net sales	¥120.9 billion	¥131.5 billion	8.8%	2.4%
Operating income	¥3.4 billion	¥3.6 billion	4.8%	8.8%

Segment sales advanced 8.8%, to ¥131.5 billion. Shipments of packaging inks, used chiefly on packaging for food products, were down in all regions, owing to rising consumer prices, but sales were bolstered by sales price modifications. In publication inks, which center on inks for commercial printing and news inks, shipments slumped in the Americas and Europe, as well as in Asia, but sales were essentially level with the corresponding period of the previous fiscal year, thanks to the modification of sales prices worldwide. Sales of jet inks, used in digital printing, were pushed down by a decline in overall demand, a consequence of customer inventory adjustments.

Segment operating income rose 4.8%, to ¥3.6 billion. Although operating income in Japan decreased as efforts to counter higher costs by modifying sales prices, especially for publication inks, fell short, the overall gain was underpinned by the success of similar efforts for packaging inks and publication inks overseas, particularly in the Americas and Europe.

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Color & Display

	Three months ended March 31, 2022	Three months ended March 31, 2023	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥66.2 billion	¥60.5 billion	-8.7%	-16.1%
Operating income	¥3.8 billion	¥1.4 billion	-64.1%	-62.8%

Segment sales declined 8.7%, to ¥60.5 billion. Shipments of pigments for coatings and for plastics, which account for a significant proportion of segment sales, shrank overall. Factors behind this result included slowing economic growth in Europe, the primary market for these products, and to moves by customers to curtail inventories. Among high-value-added products, demand for pigments for color filters, used in displays, showed signs of recovering, reflecting the progress of display manufacturers' inventory adjustments, which began in the previous fiscal year. Demand for pigments for cosmetics rallied in Asia and Europe, among others, with the lifting of pandemic masking rules. In pigments for specialty applications, sales of products for agricultural use were firm, continuing a trend from the previous fiscal year, but shipments of pigments for use in building materials fell in Europe, the primary market for these products, owing to the protracted crisis in Ukraine.

Segment operating income plunged 64.1%, to ¥1.4 billion. This steep drop was attributable to, among others, dwindling shipments of pigments for coatings and for plastics, particularly in Europe, and the fact that shipments of pigments for color filters and other high-value-added products remained in recovery mode.

Functional Products

	Three months ended March 31, 2022	Three months ended March 31, 2023	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥74.2 billion	¥73.4 billion	-1.0%	-3.7%
Operating income	¥6.6 billion	¥3.1 billion	-52.6%	-55.0%

Segment sales rose dipped 1.0%, to ¥73.4 billion. Sales of digital materials, used principally in electrical and electronics equipment and in displays, waned as the market for epoxy resins, the foremost application for which is semiconductors, weakened and overall shipments declined. Sales of industrial-use adhesive tapes, used mainly in smartphones and other mobile devices, also declined. In the area of industrial materials, the primary use for which is mobility solutions, shipments of acrylic resins, polyurethane resins and other products for use in automobiles tumbled as a consequence of prolonged inventory adjustments across the supply chain and wilting demand for vehicles in the PRC. Sales of polyphenylene sulfide (PPS) compounds increased, notwithstanding flagging shipments for use in automobiles, bolstered by sales price modifications and rising shipments for other applications, including housing equipment.

Segment operating income fell 52.6%, to ¥3.1 billion. This substantial decrease was despite efforts to modify sales prices for all products to pass on cost increases and reflected sinking 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 the First Half of Fiscal Year 2023 and Fiscal Year 2023

DIC has revised its operating results forecasts, published on February 14, 2023, as indicated below.

(Billions of yen)

	First half of FY2022	First half of FY2023	Change (%)	FY2022	FY2023	Change (%)
Net sales	521.4	520.0 [570.0]	-0.3%	1,054.2	1,100.0 [1,150.0]	4.3%
Operating income	24.0	14.0 [19.0]	-41.6%	39.7	38.0 [43.0]	-4.2%
Ordinary income	26.2	12.0 [17.0]	-54.1%	39.9	34.0 [40.0]	-14.9%
Net income attributable to owners of the parent	14.4	3.0 [7.0]	-79.2%	17.6	17.0 [20.0]	-3.5%
EBTIDA	47.4	—	—	85.5	83.0 [87.0]	-2.9%

Note: Forecasts in squared parentheses are those published on February 14, 2023.

Reasons for Revision of Operating Results Forecasts

Owing to sluggish conditions in the market for digital materials, delays in completing inventory adjustments in the automobile sector and slowing economic growth in Europe, among others, a recovery in demand for high-value-added products, notably those in the Functional Products segment, and pigments is likely to take time. Accordingly, consolidated net sales are expected to fall short of the initial forecast, as a result of which operating income, ordinary income and net income attributable to owners of the parent are also expected to be below forecasts. In light of these factors, DIC has revised its forecasts for the fiscal year 2023 first half and 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	First Quarter of Current Fiscal Year as of March 31, 2023
(Assets)		
Current assets		
Cash and deposits	63,380	99,442
Notes and accounts receivable - trade	247,520	241,777
Merchandise and finished goods	182,572	192,855
Work in process	11,656	12,349
Raw materials and supplies	116,522	112,344
Other	42,432	46,168
Allowance for doubtful accounts	(4,116)	(4,226)
Total current assets	659,967	700,710
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	128,742	130,172
Machinery, equipment and vehicles, net	119,110	123,275
Tools, furniture and fixtures, net	17,089	16,867
Land	66,353	66,438
Construction in progress	22,242	23,136
Total property, plant and equipment	353,536	359,887
Intangible assets		
Goodwill	33,641	33,743
Software	10,277	11,246
Customer-related assets	9,609	9,512
Other	25,238	24,817
Total intangible assets	78,764	79,318
Investments and other assets		
Investment securities	63,819	63,287
Net defined benefit asset	64,383	65,695
Other	41,267	40,790
Allowance for doubtful accounts	(98)	(98)
Total investments and other assets	169,371	169,673
Total non-current assets	601,671	608,878
Total assets	1,261,637	1,309,588

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Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous Fiscal Year as of December 31, 2022	First Quarter of Current Fiscal Year as of March 31, 2023
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	154,964	144,097
Short-term loans payable	61,983	82,022
Commercial papers	30,000	50,000
Current portion of bonds payable	30,000	30,000
Income taxes payable	5,650	5,813
Provision for bonuses	5,555	4,900
Other	101,740	94,536
Total current liabilities	389,892	411,367
Non-current liabilities		
Bonds payable	110,000	110,000
Long-term loans payable	260,259	286,921
Net defined benefit liability	28,742	29,221
Asset retirement obligations	8,449	8,747
Other	43,208	41,813
Total non-current liabilities	450,657	476,702
Total liabilities	840,549	888,069
(Net assets)		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,234	94,234
Retained earnings	222,796	219,955
Treasury shares	(1,785)	(1,751)
Total shareholders' equity	411,802	408,995
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,360	5,029
Deferred gains or losses on hedges	694	271
Foreign currency translation adjustment	(17,286)	(12,502)
Remeasurements of defined benefit plans	(13,573)	(14,511)
Total accumulated other comprehensive income	(24,805)	(21,714)
Non-controlling interests	34,091	34,238
Total net assets	421,088	421,519
Total liabilities and net assets	1,261,637	1,309,588

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Consolidated Quarterly Statement of Income

(Millions of yen)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
Net sales	250,958	255,237
Cost of sales	199,964	207,311
Gross profit	50,994	47,926
Selling, general and administrative expenses		
Employees' salaries and allowances	14,718	15,844
Provision of allowance for doubtful accounts	311	34
Provision for bonuses	1,140	1,053
Retirement benefit expenses	(468)	11
Other	23,570	25,001
Total selling, general and administrative expenses	39,271	41,943
Operating income	11,723	5,983
Non-operating income		
Interest income	248	1,042
Dividends income	238	254
Foreign exchange gains	826	—
Equity in earnings of affiliates	153	181
Other	783	525
Total non-operating income	2,249	2,003
Non-operating expenses		
Interest expenses	630	2,056
Foreign exchange losses	—	422
Other	936	933
Total non-operating expenses	1,566	3,410
Ordinary income	12,406	4,575
Extraordinary losses		
Severance costs	105	423
Loss on disposal of non-current assets	325	218
Total extraordinary losses	430	641
Income before income taxes	11,976	3,934
Income taxes	4,180	1,865
Net income	7,796	2,069
Net income attributable to non-controlling interests	393	172
Net income attributable to owners of the parent	7,404	1,897

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Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
Net income	7,796	2,069
Other comprehensive income		
Valuation difference on available-for-sale securities	(265)	(283)
Deferred gains or losses on hedges	154	(420)
Foreign currency translation adjustment	20,824	4,813
Remeasurements of defined benefit plans, net of tax	(2,255)	(892)
Share of other comprehensive income of associates accounted for using equity method	412	116
Total other comprehensive income	18,870	3,334
Comprehensive income	26,666	5,404
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	25,886	4,989
Comprehensive income attributable to non-controlling interests	780	415