

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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Color & Comfort



May 15, 2024

Stock Exchange: Tokyo

Head Office: Tokyo

Tel: +81 (3) 6733-3000

Consolidated Financial Results for the Three Months Ended March 31, 2024 (Japan GAAP)

(The fiscal year ending March 31, 2024)

Company Name: DIC Corporation

Listing Code Number: 4631

URL: <https://www.dic-global.com/en/>

Representative: Takashi Ikeda, Representative Director, President and CEO

Contact Person: Shigeki Takata, 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, 2024

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, 2024 (January 1, 2024 - March 31, 2024)

(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, 2024	255,788	0.2	8,477	41.7	6,648	45.3	(2,778)	—
Three months ended March 31, 2023	255,237	1.7	5,983	-49.0	4,575	-63.1	1,897	-74.4

Note: Comprehensive income (JPY million): Three months ended March 31, 2024 18,227 (237.3%)

Three months ended March 31, 2023 5,404 (-79.7%)

	Earnings per share (basic)	Earnings per share (diluted)
	JPY	JPY
Three months ended March 31, 2024	(29.35)	—
Three months ended March 31, 2023	20.04	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	JPY (million)	JPY (million)	%
As of March 31, 2024	1,270,408	398,492	29.8
As of December 31, 2023	1,244,889	399,267	29.2

Reference: Shareholders' equity (JPY million): As of March 31, 2024 378,741 As of December 31, 2023 363,937

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
FY2023	—	50.00	—	30.00	80.00
FY2024	—	—	—	—	—
FY2024(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, 2024 (January 1, 2024 - December 31, 2024)

(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 FY2024	540,000	4.8	15,000	50.6	12,000	68.0	0	-100.0	0.00
FY2024	1,100,000	5.9	30,000	67.2	25,000	171.3	10,000	—	105.64

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 2024 and Fiscal Year 2024" 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, 2024: 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: None

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, 2024	95,156,904 shares,	As of December 31, 2023	95,156,904 shares
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2) Number of treasury shares at the end of the period

As of March 31, 2024	486,218 shares,	As of December 31, 2023	497,680 shares
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3) Average number of shares issued during the period, excluding treasury shares

For the three months ended March 31, 2024	94,667,944 shares,	For the three months ended March 31, 2023	94,659,269 shares
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* The Company has introduced the Board Benefit Trust (BBT), and 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)

	Three months ended March 31, 2023	Three months ended March 31, 2024	Change (%)	Change (%) [Local currency basis]
Net sales	255.2	255.8	0.2%	-5.5%
Operating income	6.0	8.5	41.7%	32.8%
Ordinary income	4.6	6.6	45.3%	—
Net income attributable to owners of the parent	1.9	(2.8)	Loss	—
EBITDA *	17.0	13.0	-23.5%	—
¥/US\$1.00 (Average rate)	133.02	147.58	10.9%	—
¥/EUR1.00 (Average rate)	142.71	160.12	12.2%	—

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

In the three months ended March 31, 2024, consolidated net sales edged up 0.2%, to ¥255.8 billion. On a local currency basis, however, consolidated net sales were down 5.5%. Looking at key global economies, in the Americas and Europe attitudes toward modifying monetary policies remain cautious despite a slight waning of inflationary pressures, while in the People’s Republic of China (PRC) an uncertain economic outlook endures. 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 stagnated in the display market, a consequence of operating adjustments by display manufacturers, but showed signs of recovery in the semiconductor market, although a full-scale revival remained elusive. A recovery in demand was also seen for industrial materials,* used primarily in mobility solutions, thanks to an upturn in vehicle sales worldwide, which contributed to the resolution of surplus inventories of materials for use in automobiles across the supply chain. In this environment, conditions diverged for different products, with shipments of high-value-added products, including those for use in electronics equipment and in mobility solutions, generally on the road to recovery and shipments of packaging inks up overseas, underpinned by rising demand for consumer goods ascribed to the easing of inflationary pressures. The increase in net sales also reflected the positive impact of a weak yen on sales denominated in other currencies after translation.

Operating income advanced 41.7%, to ¥8.5 billion. The Packaging & Graphic and Functional Products segments saw sharp gains, buttressed by an upswing in shipments of certain high-value-added products and an improved product mix, as well as by efforts to revise sales prices in response to specific regional and product characteristics. In the Color & Display segment, structural reforms aimed at optimizing production configurations—particularly in the United States and Europe—and measures to reduce costs proceeded, but were insufficient to offset sinking overall shipments of pigments and an ensuing deterioration of the product mix, leading to an operating loss. Nonetheless, certain production facilities in this segment in the United States and Europe that had temporarily suspended production resumed operations, eliminating this as a negative factor. Accordingly, the operating loss narrowed from that reported in the fourth quarter of fiscal year 2023 (October–December 2023).

Ordinary income, at ¥6.6 billion, was up 45.3%.

Net loss attributable to owners of the parent was ¥2.8 billion. This was due to higher extraordinary losses, owing to, among others, a loss on sales of affiliated company stocks arising from the sale of all shares held in SEIKO PMC CORPORATION and escalating severance costs, a result of restructuring measures.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined 23.5%, to ¥13.0 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, 2023	Three months ended March 31, 2024	Change (%)	Change (%) [Local currency basis]	Three months ended March 31, 2023	Three months ended March 31, 2024	Change (%)	Change (%) [Local currency basis]
Packaging & Graphic	131.5	137.4	4.5%	-1.6%	3.6	7.3	102.8%	95.3%
Color & Display	60.5	63.5	4.9%	-4.0%	1.4	(0.5)	Loss	Loss
Functional Products	73.4	65.1	-11.3%	-14.2%	3.1	4.0	29.2%	22.0%
Others, Corporate and eliminations	(10.2)	(10.2)	—	—	(2.1)	(2.4)	—	—
Total	255.2	255.8	0.2%	-5.5%	6.0	8.5	41.7%	32.8%

Packaging & Graphic

	Three months ended March 31, 2023	Three months ended March 31, 2024	Change (%)	Change (%) [Local currency basis]
Net sales	¥131.5 billion	¥137.4 billion	4.5%	-1.6%
Operating income	¥3.6 billion	¥7.3 billion	102.8%	95.3%

Segment sales advanced 4.5%, to ¥137.4 billion. On a local currency basis, however, sales slipped 1.6%. In the area of packaging inks, used chiefly on packaging for food products, shipments declined in Japan, as rising prices dampened demand for consumer goods, but were up overseas, underpinned by a revival in demand for consumer goods in the Americas and Europe, as well as by efforts to cultivate customers in the PRC. Nonetheless, sales of these products were level. Despite expanded shipments in the PRC, due to the cultivation of customers, sales of publication inks, which center on inks for commercial printing and news inks, fell, as dwindling demand pushed shipments down in Japan, as well as in the Americas and Europe. Shipments of jet inks, used in digital printing, recovered as customers completed inventory adjustments. The increase in segment sales also reflected the positive impact of a weak yen on results denominated in other currencies.

Segment operating income soared 102.8%, to ¥7.3 billion. In Japan, shipments of high-value-added jet inks were firm, while moves to counter elevated costs in packaging inks and publication inks by modifying sales prices progressed. Operating income overseas was up sharply overall, buttressed by higher shipments of packaging inks and publication inks in Asia, notably in the PRC, together with efforts to maintain sales prices for packaging inks and publication inks in the Americas and Europe amid falling raw materials prices.

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Color & Display

	Three months ended March 31, 2023	Three months ended March 31, 2024	Change (%)	Change (%) [Local currency basis]
Net sales	¥60.5 billion	¥63.5 billion	4.9%	-4.0%
Operating income	¥1.4 billion	¥(0.5) billion	Loss	Loss

Segment sales rose 4.9%, to ¥63.5 billion. On a local currency basis, however, sales declined 4.0%. A recovery in shipments of pigments for coatings and for plastics was limited, particularly in Europe, a leading market for these products, owing to sluggish economic conditions and accompanying weak demand among end users. Among high-value-added products, shipments of pigments for color filters, used in displays, decreased as a consequence of inventory adjustments by display manufacturers. Shipments of pigments for cosmetics were also down, hindered by listless demand for cosmetics in the Americas and Europe. In pigments for specialty applications, shipments weakened, notwithstanding efforts to cultivate new customers for use in building materials in Asia, as products for agricultural use were hampered by customer inventory adjustments. The increase in segment sales was thus largely attributable to the positive impact of a weak yen on results denominated in other currencies.

The segment reported an operating loss of ¥0.5 billion. This was despite structural reforms aimed at optimizing production configurations, mainly in the United States and Europe, as well as efforts to trim costs, which fell short of offsetting lower shipments and an attendant deterioration of the product mix. Nonetheless, certain production facilities in the United States and Europe that had suspended production temporarily resumed operations, eliminating this as a negative factor. Accordingly, the operating loss narrowed from that reported in the fourth quarter of fiscal year 2023.

Functional Products

	Three months ended March 31, 2023	Three months ended March 31, 2024	Change (%)	Change (%) [Local currency basis]
Net sales	¥73.4 billion	¥65.1 billion	-11.3%	-14.2%
Operating income	¥3.1 billion	¥4.0 billion	29.2%	22.0%

Segment sales fell 11.3%, to ¥65.1 billion. If the impact of business withdrawals, including the divestiture of SEIKO PMC, was discounted segment sales would have been up 2.8%. In digital materials, shipments of epoxy resins—the foremost application for which is electronics equipment, notably semiconductors—advanced, owing to an improvement in the product mix attributable to, among others, a recovery in demand for use in servers, computers and smartphones, which pushed up shipments of related products. Sales of industrial-use adhesive tapes, used mainly in smartphones and other mobile devices, were bolstered by steady efforts to lock in demand. In the area of industrial materials, sales of polyphenylene sulfide (PPS) compounds were firm, as shipments for use in mobility solutions picked up, notably in Japan, thanks to progress in the resolution of surplus inventories across the automotive supply chain. In contrast, shipments of products for general industrial applications flagged, resulting in part from a drop in orders for use in machine tools.

Segment operating income climbed 29.2%, to ¥4.0 billion. Factors behind this included a recovery in shipments of high-value-added products for use in electronics equipment and in mobility solutions, contributing to an improved product mix, as well as to successful efforts to revise sales prices for all products.

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(3) Operating Results Forecasts for the First Half of Fiscal Year 2024 and Fiscal Year 2024

DIC has revised its operating results forecasts, published on February 13, 2024, as indicated below.

(Billions of yen)

	First half of FY2023	First half of FY2024	Change (%)	FY2023	FY2024	Change (%)
Net sales	515.3	540.0	4.8%	1,038.7	1,100.0	5.9%
Operating income	10.0	15.0	50.6%	17.9	30.0	67.2%
Ordinary income	7.1	12.0	68.0%	9.2	25.0	171.3%
Net income attributable to owners of the parent	1.0	0.0 [(6.0)]	-100.0%	(39.9)	10.0	Into the black
EBTIDA	32.8	—	—	30.8	82.0	166.0%

Note: Forecasts in squared parentheses are those published on February 13, 2024.

Reasons for Revision of Operating Results Forecasts

Owing to an expected gain on sales of non-current assets in extraordinary income in the second quarter (April–June 2024) as a consequence of the transfer of intellectual property related to DIC’s liquid crystal (LC) materials business, the forecast for net income attributable to owners of the parent for the six months ending June 30, 2024, has been revised. The impact of this was factored into initial forecasts for the fiscal year 2024 full term, so no revisions to these forecasts have been made.

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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Quarterly Consolidated Balance Sheet

(Millions of yen)

	Previous Fiscal Year as of December 31, 2023	First Quarter of Current Fiscal Year as of March 31, 2024
Assets		
Current assets		
Cash and deposits	87,533	106,259
Notes and accounts receivable - trade	225,148	231,332
Merchandise and finished goods	167,427	169,175
Work in process	11,250	11,616
Raw materials and supplies	94,157	96,089
Other	38,623	44,131
Allowance for doubtful accounts	(3,951)	(4,324)
Total current assets	620,188	654,277
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	133,062	134,718
Machinery, equipment and vehicles, net	128,613	131,002
Tools, furniture and fixtures, net	17,822	17,707
Land	66,488	58,193
Construction in progress	27,907	21,490
Total property, plant and equipment	373,892	363,110
Intangible assets		
Goodwill	17,782	18,294
Software	14,298	14,694
Customer-related assets	11,639	11,835
Other	25,198	26,305
Total intangible assets	68,916	71,128
Investments and other assets		
Investment securities	63,071	63,606
Net defined benefit asset	78,961	78,563
Other	39,959	39,791
Allowance for doubtful accounts	(98)	(68)
Total investments and other assets	181,893	181,893
Total non-current assets	624,701	616,131
Total assets	1,244,889	1,270,408

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Quarterly Consolidated Balance Sheet

(Millions of yen)

	Previous Fiscal Year as of December 31, 2023	First Quarter of Current Fiscal Year as of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	140,089	142,821
Short-term loans payable	46,302	56,139
Commercial papers	33,000	33,000
Current portion of bonds payable	30,000	30,000
Income taxes payable	2,870	3,729
Provision for bonuses	5,037	4,362
Other	91,450	93,353
Total current liabilities	348,749	363,405
Non-current liabilities		
Bonds payable	95,000	95,000
Long-term loans payable	308,231	318,311
Net defined benefit liability	36,056	36,566
Asset retirement obligations	9,480	9,727
Other	48,106	48,908
Total non-current liabilities	496,873	508,511
Total liabilities	845,622	871,916
Net assets		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,234	94,234
Retained earnings	173,292	167,664
Treasury shares	(1,586)	(1,541)
Total shareholders' equity	362,497	356,915
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,542	6,727
Deferred gains or losses on hedges	248	316
Foreign currency translation adjustment	12,559	34,179
Remeasurements of defined benefit plans	(16,910)	(19,396)
Total accumulated other comprehensive income	1,440	21,826
Non-controlling interests	35,330	19,751
Total net assets	399,267	398,492
Total liabilities and net assets	1,244,889	1,270,408

Quarterly Consolidated Statement of Income

(Millions of yen)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024
Net sales	255,237	255,788
Cost of sales	207,311	203,416
Gross profit	47,926	52,372
Selling, general and administrative expenses		
Employees' salaries and allowances	15,844	16,948
Provision of allowance for doubtful accounts	34	132
Provision for bonuses	1,053	989
Retirement benefit expenses	11	92
Other	25,001	25,734
Total selling, general and administrative expenses	41,943	43,895
Operating income	5,983	8,477
Non-operating income		
Interest income	1,042	1,296
Dividends income	254	193
Foreign exchange gains	—	163
Equity in earnings of affiliates	181	—
Other	525	538
Total non-operating income	2,003	2,189
Non-operating expenses		
Interest expenses	2,056	2,603
Foreign exchange losses	422	—
Equity in losses of affiliates	—	101
Other	933	1,315
Total non-operating expenses	3,410	4,019
Ordinary income	4,575	6,648
Extraordinary losses		
Loss on sales of shares and investments in capital of subsidiaries and affiliates	—	4,513
Severance costs	423	2,323
Loss on disposal of non-current assets	218	410
Impairment losses	—	125
Total extraordinary losses	641	7,371
Income (loss) before income taxes	3,934	(723)
Income taxes	1,865	1,758
Net income (loss)	2,069	(2,481)
Net income attributable to non-controlling interests	172	298
Net income (loss) attributable to owners of the parent	1,897	(2,778)

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024
Net income (loss)	2,069	(2,481)
Other comprehensive income		
Valuation difference on available-for-sale securities	(283)	1,226
Deferred gains or losses on hedges	(420)	68
Foreign currency translation adjustment	4,813	22,399
Remeasurements of defined benefit plans, net of tax	(892)	(2,485)
Share of other comprehensive income of affiliates accounted for using equity method	116	(500)
Total other comprehensive income	3,334	20,708
Comprehensive income	5,404	18,227
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,989	17,608
Comprehensive income attributable to non-controlling interests	415	619