4631.T : Tokyo Stock Exchange

DIC Corporation

Consolidated Financial Results
FY2023: Six Months Ended June 30

August 2023



FTSE Blossom Japan

S&P/JPX Carbon Efficient Index

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

MSCI Japan ESG Select Leaders Index

MSCI Japan Empowering Women Index (WIN)

DIC Color & Comfort

DIC Corporation

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Highlights

FY2023 six months results

Net sales

¥515.3 billion

YoY -**1.2**%

- 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 declined.
- Sluggish demand and inventory adjustments were seen in multiple industries, pushing down shipments. In the Functional Products segment, in particular, sales volume for digital materials, used primarily in electrical and electronics equipment and in displays, was down, while shipments of industrial materials,* used primarily in mobility solutions, languished as the resolution of inventory adjustments across the supply chain was delayed.

* 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.

Operating income

¥10.0 billion

YoY -**58.4**%

- Operating income fell. This was due largely to sinking shipments of pigments for coatings and for plastics, as well as high-value-added products, notably digital materials and materials used in mobility solutions.

FY2023 forecasts

- Forecasts for net sales and operating income have been revised down.
- Forecast for annual dividends per share has been revised to ¥80.00.

- With a recovery in demand now expected to take longer than initially anticipated, forecasts for full-term consolidated net sales and operating income have been revised downward, to ¥1,060.0 billion and ¥25.0 billion, respectively.
- The forecast for annual cash dividends per share has been revised to ¥80.00, consisting of an interim dividend of ¥50.00 and a year-end dividend of ¥30.00.

The fiscal year of all overseas and domestic companies in the DIC Group ends on December 31. This document presents consolidated results for the first six months of fiscal year 2023, ended June 30, 2023.

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Year-on-year changes in quarterly shipments of principal products by segment

Packaging & Graphic（Packaging inks, Publication inks*）

2022				2023	
Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
+0%	-0%	-4%	-9%	-8%	-10%

- Shipments stagnated, as rising prices led to sluggish demand for consumer goods.
- The People's Republic of China (PRC) saw a gradual recovery in sales volume, but demand in the Americas and Europe remained weak.

* Includes news inks

Color & Display（Pigments*）

2022				2023	
Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
-5%	-11%	-19%	-28%	-18%	-17%

- Shipments shrank overall, owing to a decrease in demand resulting from slowing economic growth in Europe, a primary market, and moves by customers to curtail inventories.
- Shipments of pigments for displays recovered to a normal level, as display manufacturers completed inventory adjustments.

* The results of the C&E pigments business are excluded from year-on-year calculations for fiscal year 2022 but included in those for fiscal year 2023.

Functional Products（Performance Materials products*）

2022				2023	
Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
-6%	-6%	-5%	-10%	-15%	-10%

- Shipments of epoxy resins and other digital materials declined, as conditions in the semiconductor market deteriorated sharply.
- In the area of industrial materials, used primarily in mobility solutions, shipments languished, despite signs of a recovery in automobile production, as the resolution of inventories across the supply chain was delayed.

* The results of listed subsidiaries, Guangdong TOD, acquired in July 2022, and PCAS Canada, acquired in June 2023, are excluded.

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Consolidated statement of income

(Billion yen)	2022 6 Months	2023 6 Months	Change	% Change	% Change on a local currency basis
Net sales	**521.4**	**515.3**	**-6.1**	-1.2%	-5.5%
Cost of sales	(415.4)	(420.6)	-5.2		
Selling, general and administrative expenses	(82.0)	(84.7)	-2.7		
Operating income	**24.0**	**10.0**	**-14.0**	-58.4%	-58.3%
Operating margin	**4.6%**	**1.9%**	-		
Interest expenses	(0.9)	(2.4)	-1.6		
Equity in earnings (losses) of affiliates	1.0	0.9	-0.1		
Foreign exchange gains (losses)	2.1	(1.0)	-3.1		
Other, net	0.0	(0.3)	-0.3		
Ordinary income	**26.2**	**7.1**	**-19.0**	-72.7%	—
Extraordinary income	1.3	0.5	-0.8		
Extraordinary losses	(3.5)	(2.3)	1.1		
Income before income taxes	24.0	5.3	-18.7		
Income taxes	(8.8)	(4.0)	4.8		
Net income	15.1	1.3	-13.8		
Net income attributable to non-controlling interests	(0.7)	(0.3)	0.4		
Net income attributable to owners of the parent	**14.4**	**1.0**	**-13.4**	-93.1%	—
EBITDA*	**47.4**	**32.8**	**-14.6**	-30.8%	—

Extraordinary income and losses	2022 6 Months	2023 6 Months
Extraordinary income		
Gain on sales of non-current assets	0.9	0.5
Gain on sales of investment securities	0.4	-
Extraordinary losses		
Impairment losses	(1.0)	(0.9)
Severance costs	(0.9)	(0.8)
Loss on disposal of non-current assets	(1.0)	(0.6)
Loss on withdrawal from business	(0.5)	-

■Average rate

	2022 6 Months	2023 6 Months
Yen/US$	123.25	**135.88**
Yen/EUR	134.89	**146.91**

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

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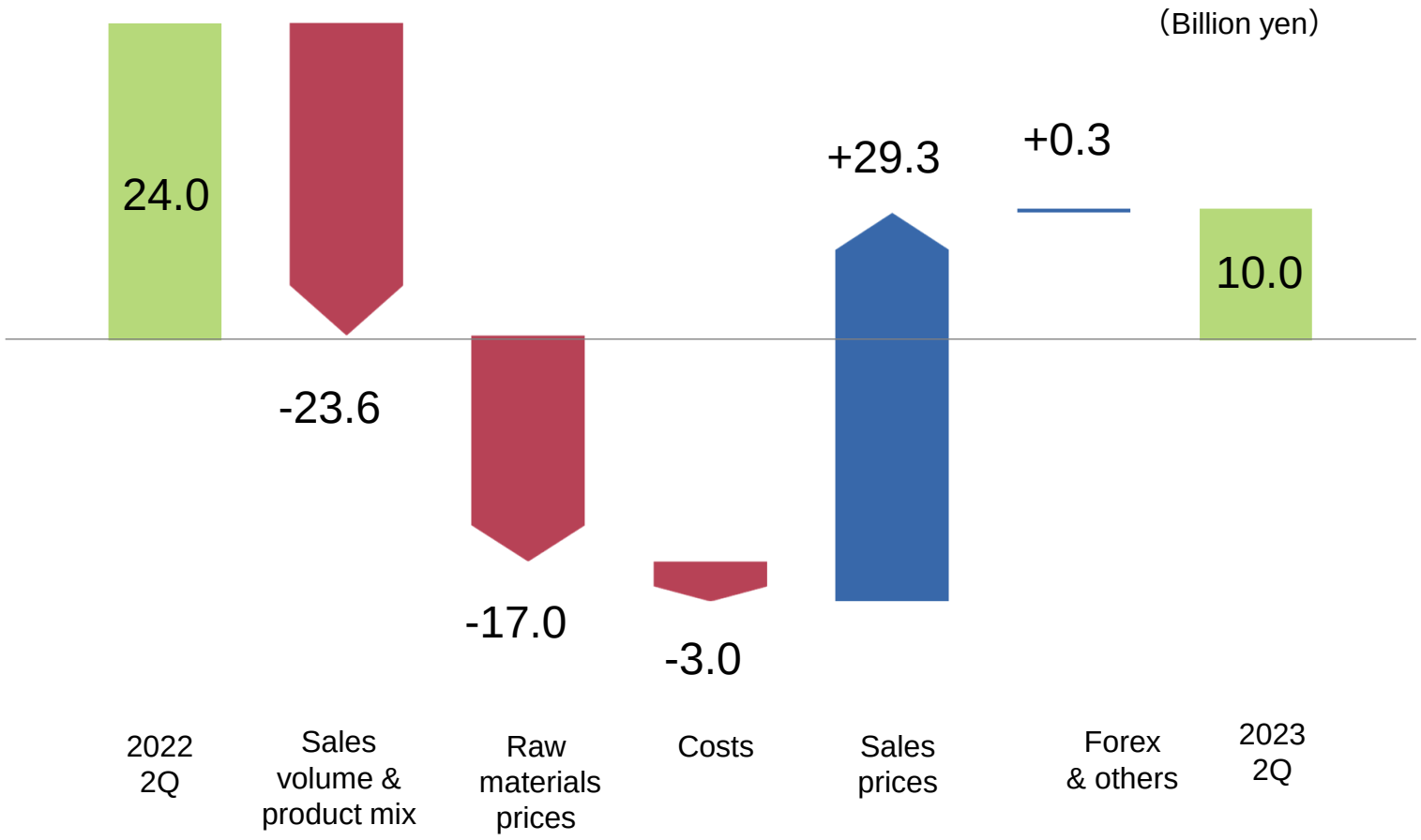
Operating income variance

- Shipments of pigments fell sharply, owing to slowing economic growth in Europe, a principal market for these products. Additionally, the product mix deteriorated as a result of a decline in shipments of high-value-added products used in electrical and electronics equipment and in mobility solutions.



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Financial health

(Billion yen)	Dec 31 2022	Jun 30 2023	Change
Net interest-bearing debt	445.9	**501.4**	55.4
Shareholders' equity	387.0	**420.1**	33.1
Net D/E ratio *1 (Times)	1.15	**1.19**	
Equity ratio	30.7%	**31.3%**	
BPS (Yen)	4,088.60	**4,438.24**	

* Net D/E ratio: Net Interest-bearing debt / Shareholders' equity

DIC aims to reduce net interest-bearing debt to ¥455 billion by the end of fiscal year 2023 by trimming working capital.

■Closing rate

	Dec 31 2022	Jun 30 2023
Yen/US$	132.63	**144.68**

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Segment results

(Billion yen)

	Net sales					Operating income					Operating margin	
	2022 6 Months	2023 6 Months	Change	% Change	% Change on a local currency basis	2022 6 Months	2023 6 Months	Change	% Change	% Change on a local currency basis	2022 6 Months	2023 6 Months
Packaging & Graphic	257.4	266.6	9.1	+ 3.5%	-1.3%	7.7	8.3	0.6	+ 7.7%	+ 6.8%	3.0%	3.1%
Japan	62.7	61.4	-1.2	-2.0%	-2.0%	2.2	1.6	-0.6	-26.7%	-26.7%	3.6%	2.7%
The Americas and Europe	162.1	173.5	11.4	+ 7.0%	+ 0.1%	4.4	5.5	1.1	+ 25.4%	+ 24.4%	2.7%	3.2%
Asia and Oceania	40.8	38.9	-1.9	-4.6%	-8.1%	1.4	1.3	-0.0	-0.8%	-2.4%	3.3%	3.4%
Eliminations	(8.1)	(7.3)	0.8	-	-	(0.3)	(0.2)	0.1	-	-	-	-
Color & Display	133.9	117.8	-16.0	-12.0%	-17.9%	7.8	(0.1)	-7.9	Loss	Loss	5.8%	-
Japan	19.3	16.5	-2.9	-14.8%	-14.8%	3.6	2.4	-1.2	-33.7%	-33.7%	18.7%	14.6%
Overseas	122.2	108.8	-13.5	-11.0%	-17.9%	4.1	(2.6)	-6.7	Loss	Loss	3.4%	-
Eliminations	(7.7)	(7.4)	0.3	-	-	(0.0)	0.0	0.0	-	-	-	-
Functional Products	153.2	149.4	-3.9	-2.5%	-4.6%	13.3	6.7	-6.7	-50.0%	-51.8%	8.7%	4.5%
Japan	107.6	100.8	-6.8	-6.3%	-6.3%	9.0	2.5	-6.5	-72.2%	-72.2%	8.3%	2.5%
Overseas	61.2	61.7	0.5	+ 0.9%	-4.4%	4.5	4.0	-0.4	-9.7%	-15.4%	7.3%	6.5%
Eliminations	(15.5)	(13.2)	2.4	-	-	(0.1)	0.1	0.2	-	-	-	-
Others, Corporate and eliminations	(23.1)	(18.5)	4.7	-	-	(4.8)	(4.8)	-0.0	-	-	-	-
Total	521.4	515.3	-6.1	-1.2%	-5.5%	24.0	10.0	-14.0	-58.4%	-58.3%	4.6%	1.9%
Yen/US$	123.25	135.88		+ 10.2%		123.25	135.88		+ 10.2%			
Yen/EUR	134.89	146.91		+ 8.9%		134.89	146.91		+ 8.9%			

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Packaging & Graphic

Net sales

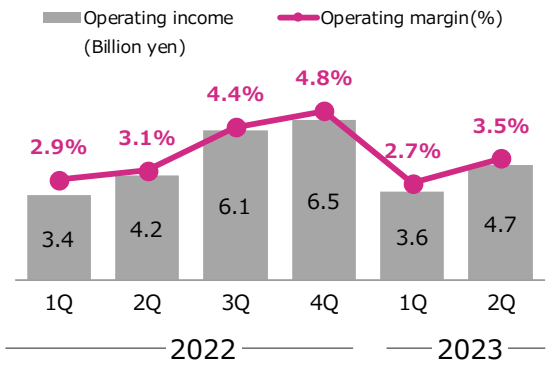
- Shipments decreased, as rising prices depressed demand for consumer goods, pushing down sales in Japan and elsewhere in Asia.
- In the Americas and Europe, circumstances surrounding sales volume were difficult. Nonetheless, sales remained level on a local currency basis, underpinned by efforts to maintain sales prices.

Operating income

- In Japan, operating income decreased as shipments of high-value-added jet inks sagged and efforts to modify sales prices in the area of packaging inks and publication inks failed to keep pace with cost increases.
- Operating income was up overall, bolstered by efforts to maintain sales prices, particularly in the Americas and Europe.

(Billion yen)	Net sales					Operating income					Operating margin	
	2022 6 Months	2023 6 Months	Change	% Change	% Change on a local currency basis	2022 6 Months	2023 6 Months	Change	% Change	% Change on a local currency basis	2022 6 Months	2023 6 Months
Packaging & Graphic	257.4	266.6	9.1	+ 3.5%	-1.3%	7.7	8.3	0.6	+ 7.7%	+ 6.8%	3.0%	3.1%
Japan	62.7	61.4	-1.2	-2.0%	-2.0%	2.2	1.6	-0.6	-26.7%	-26.7%	3.6%	2.7%
The Americas and Europe	162.1	173.5	11.4	+ 7.0%	+ 0.1%	4.4	5.5	1.1	+ 25.4%	+ 24.4%	2.7%	3.2%
Asia and Oceania	40.8	38.9	-1.9	-4.6%	-8.1%	1.4	1.3	-0.0	-0.8%	-2.4%	3.3%	3.4%
Eliminations	(8.1)	(7.3)	0.8	-	-	(0.3)	(0.2)	0.1	-	-	-	-

Operating income/margin



Sales of principal products

	% Change	
Packaging inks*	+ 0%	Shipments declined in all regions, as rising prices depressed demand for consumer goods.
Publication inks*	-3%	Shipments fell in the Americas and Europe, as well as in Asia.
Jet inks	-3%	Sales were down, owing to flagging demand from overseas customers.
Polystyrene	-11%	Rising food prices depressed demand for use in food packaging, resulting in a decline in sales.
Multilayer films	+ 8%	Rising food prices depressed demand for use in food packaging, but sales rose thanks to efforts to adjust sales prices, which boosted unit prices.

*Change on a local currency basis

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Color & Display

Net sales

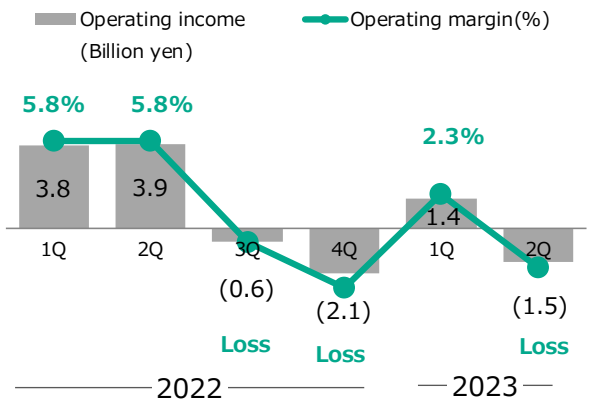
- Segment sales declined, as shipments—particularly of pigments for coatings and for plastics—shrank, owing to a decrease in demand resulting from slowing economic growth in Europe, a primary market, and moves by customers to curtail inventories.
- Among pigments for coatings, those for use in building materials and for industrial applications especially felt the impact of slowing economic growth.

Operating income

- The segment reported a steep operating loss, despite the modification of production facility operating rates in response to demand, as efforts to offset dwindling shipments fell short.

(Billion yen)	Net sales					Operating income					Operating margin	
	2022 6 Months	2023 6 Months	Change	% Change	% Change on a local currency basis	2022 6 Months	2023 6 Months	Change	% Change	% Change on a local currency basis	2022 6 Months	2023 6 Months
Color & Display	133.9	117.8	-16.0	-12.0%	-17.9%	7.8	(0.1)	-7.9	Loss	Loss	5.8%	-
Japan	19.3	16.5	-2.9	-14.8%	-14.8%	3.6	2.4	-1.2	-33.7%	-33.7%	18.7%	14.6%
Overseas	122.2	108.8	-13.5	-11.0%	-17.9%	4.1	(2.6)	-6.7	Loss	Loss	3.4%	-
Eliminations	(7.7)	(7.4)	0.3	-	-	(0.0)	0.0	0.0	-	-	-	-

Operating income/margin



Sales of principal products

		% Change	
Pigments for	coatings	+ 3%	A decline in demand was seen, owing to slowing economic growth, which pushed down shipments, but sales were up after translation thanks to a weak yen.
	plastics	+ 3%	A decline in demand was seen, owing to slowing economic growth, which pushed down shipments, but sales were up after translation thanks to a weak yen.
	printing inks	-15%	A decline in demand was seen, owing to slowing economic growth, which pushed down shipments.
	cosmetics	+ 19%	Sales flagged in the United States and Europe, a consequence of deteriorating business confidence. In Asia, demand continued to rally.
	displays	+ 1%	Shipments of pigments for displays recovered to a normal level, as display manufacturers completed inventory adjustments.
	specialty application	+ 4%	Shipments flagged for agricultural use, owing to inventory adjustments by customers, and shipments for use in building materials continued to slump in Europe, but sales were up after translation into yen.
Health food		-18%	Demand decreased, owing to slowing economic growth in the United States and Europe.

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Functional Products

Net sales

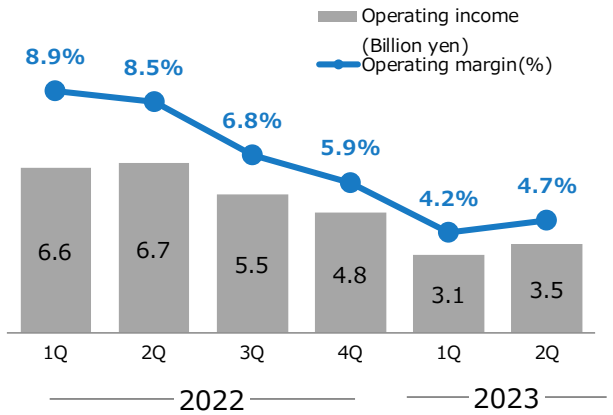
- Shipments of digital materials, used principally in electrical and electronics equipment and in displays, declined sharply.
- With automobile production recovering, shipments of certain products rallied. Nonetheless, shipments languished as a result of unresolved inventory adjustments across the supply chain.

Operating income

- Segment operating income fell sharply, despite efforts to modify sales prices to pass on cost increases, owing to a decline in shipments of high-value-added products and the deterioration of the product mix.

(Billion yen)	Net sales					Operating income					Operating margin	
	2022 6 Months	**2023 6 Months**	Change	% Change	% Change on a local currency basis	2022 6 Months	**2023 6 Months**	Change	% Change	% Change on a local currency basis	2022 6 Months	**2023 6 Months**
Functional Products	153.2	**149.4**	-3.9	-2.5%	-4.6%	13.3	**6.7**	-6.7	-50.0%	-51.8%	8.7%	**4.5%**
Japan	107.6	**100.8**	-6.8	-6.3%	-6.3%	9.0	**2.5**	-6.5	-72.2%	-72.2%	8.3%	**2.5%**
Overseas	61.2	**61.7**	0.5	+ 0.9%	-4.4%	4.5	**4.0**	-0.4	-9.7%	-15.4%	7.3%	**6.5%**
Eliminations	(15.5)	**(13.2)**	2.4	-	-	(0.1)	**0.1**	0.2	-	-	-	**-**

Operating income/margin



Sales of principal products

	% Change
Epoxy resins	-19%
Polyurethane resins	-10%
Acrylic resins*	+ 49%
Waterborne resins*	+ 6%
Polyester resins*	+ 6%
UV-curable resins	-10%

	% Change
polyphenylene sulfide (PPS) compounds	+ 9%
Industrial-use adhesive tapes	-6%
Hollow-fiber membrane	+ 4%

In digital materials, shipments of epoxy resins fell, owing to a slump in the semiconductor market. Shipments of industrial-use adhesive tapes were also down, a consequence of flagging demand for smartphones and other mobile devices. While a gradual recovery was seen in polyphenylene sulfide (PPS) compounds for use in automobiles, shipments of other materials for this application, including waterborne, acrylic and polyurethane resins, remained weak.

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* Sales increases reflect the addition of sales from PRC-based Guangdong DIC TOD Resins Co., Ltd., a coatings manufacturer, acquired in July 2022.

FY2023 forecasts: Full-term operating results

- A recovery in demand is likely to take longer than originally anticipated. Accordingly, forecasts of fiscal year 2023 have been revised downward.

(Billion yen)	2022	2023 Forecasts	% Change	% Change on a local currency basis
Net sales	1,054.2	**1,060.0**	+ 0.6%	-1.6%
Operating income	39.7	**25.0**	-37.0%	-35.4%
Operating margin	3.8%	**2.4%**	–	–
Ordinary income	39.9	**20.0**	-49.9%	
Net income attributable to owners of the parent	17.6	**4.0**	-77.3%	
EPS (Yen)	186.05	**42.26**	–	
EBITDA*1	85.5	**70.0**	-18.1%	
Capital expenditure and investment	81.1	**82.7**	+ 2.0%	
Depreciation and amortization	48.8	**50.0**	+ 2.5%	
Average rate Yen/US$	130.59	**140.00**	+ 7.2%	
Yen/EUR	137.71	**151.00**	+ 9.7%	

	2022	2023 Forecasts
ROIC*2	3.6%	**2.0%**
Net D/E ratio *3 (times)	1.15	**1.09**
Annual dividends per share (Yen)	100.0	**80.0**
Payout ratio	53.7%	**189.3%**

*2 ROIC: Operating income x (1–tax rate 28%) / (Net interest-bearing debt + Net assets)
*3 Net D/E ratio: Interest-bearing debt / Shareholders' equity

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

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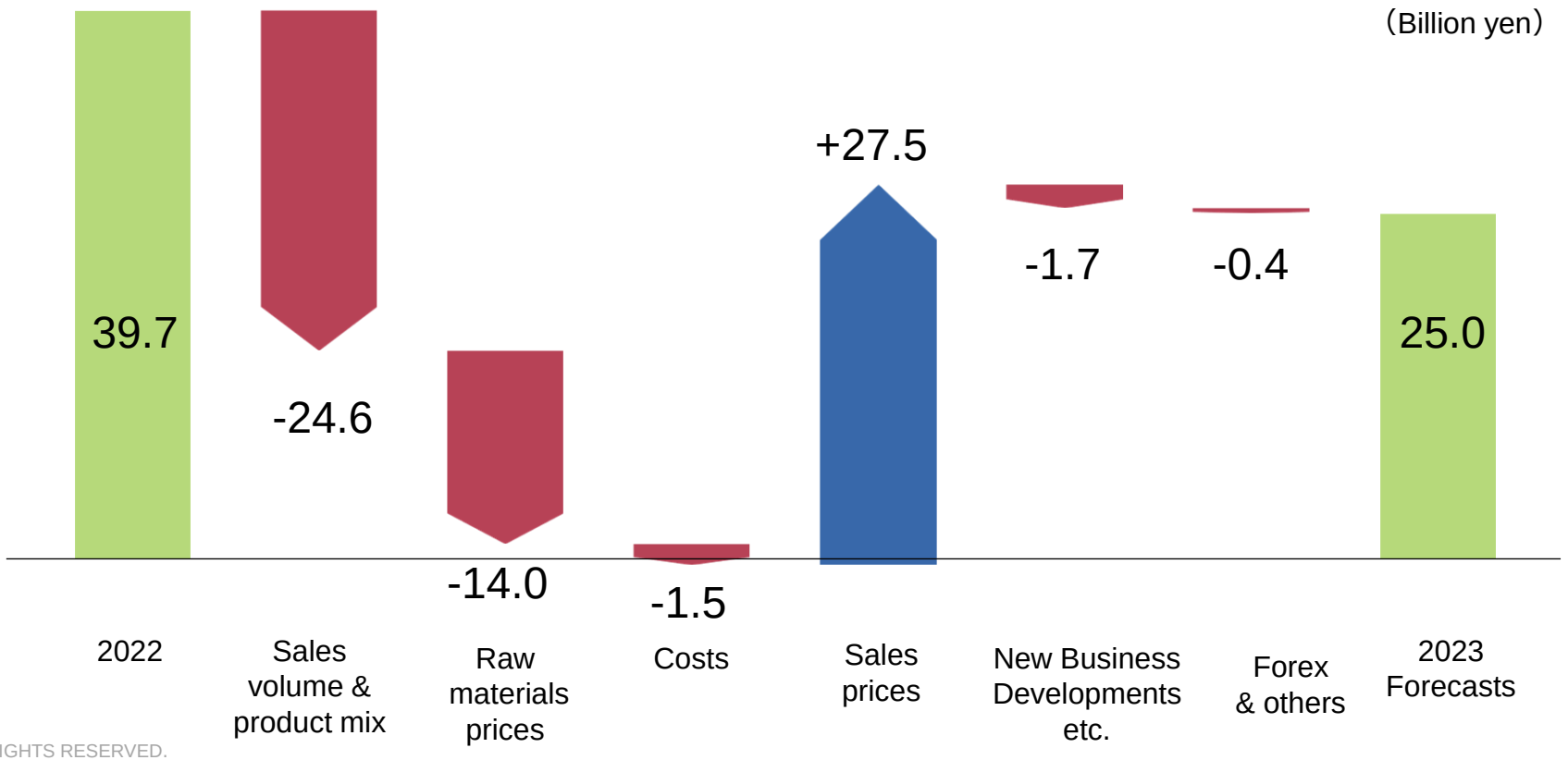
FY2023 forecasts : Operating income variance

- Declines in shipments of pigments and high-value-added offerings in the Functional Products segment are expected to result in the deterioration of the volume and product mix.
- Forecasts published on August 9, 2023, assume a West Texas Intermediate (WTI) crude oil price of around $70/barrel.
- Despite lower utility and logistics costs than initially expected, the positive impact is expected to be insufficient to offset declining shipments.



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FY2023 forecasts: Full-term segment results

(Billion yen)

	Net sales					Operating income					Operating margin	
	2022	2023 Forecast	Change	% Change	% Change on a local currency basis	2022	2023 Forecast	Change	% Change	% Change on a local currency basis	2022	2023 Forecast
Packaging & Graphic	533.0	545.6	12.6	+ 2.4%	+ 0.1%	20.3	20.0	-0.3	-1.5%	-1.1%	3.8%	3.7%
Japan	127.7	125.2	-2.5	-2.0%	-2.0%	4.2	4.5	0.3	+ 6.4%	+ 6.4%	3.3%	3.6%
The Americas and Europe	337.4	352.0	14.6	+ 4.3%	+ 1.5%	12.7	11.5	-1.2	-9.5%	-7.5%	3.8%	3.3%
Asia and Oceania	84.1	83.9	-0.3	-0.3%	-3.9%	3.4	4.0	0.6	+ 17.6%	+ 13.0%	4.1%	4.8%
Eliminations	(16.2)	(15.5)	0.7	-	-	(0.0)	0.0	0.0	-	-	-	-
Color & Display	248.2	240.5	-7.7	-3.1%	-6.8%	5.1	(1.6)	-6.7	Loss	Loss	2.1%	-
Japan	34.7	34.1	-0.6	-1.8%	-1.8%	4.7	5.1	0.4	+ 8.9%	+ 8.9%	13.5%	15.0%
Overseas	227.1	220.2	-6.9	-3.1%	-7.3%	0.3	(6.8)	-7.1	Loss	Loss	0.1%	-
Eliminations	(13.7)	(13.8)	-0.1	-	-	0.1	0.0	-0.1	-	-	-	-
Functional Products	315.4	314.2	-1.2	-0.4%	-1.8%	23.6	17.8	-5.8	-24.7%	-26.3%	7.5%	5.7%
Japan	216.9	204.7	-12.2	-5.6%	-5.6%	14.7	9.0	-5.7	-39.1%	-39.1%	6.8%	4.4%
Overseas	128.8	135.1	6.3	+ 4.9%	+ 1.4%	8.9	8.8	-0.1	-1.1%	-5.2%	6.9%	6.5%
Eliminations	(30.3)	(25.6)	4.7	-	-	(0.0)	0.0	0.0	-	-	-	-
Others, Corporate and eliminations	(42.4)	(40.3)	2.1	-	-	(9.4)	(11.2)	-1.8	-	-	-	-
Total	1,054.2	1,060.0	5.8	+ 0.6%	-1.6%	39.7	25.0	-14.7	-37.0%	-35.4%	3.8%	2.4%
Yen/US$	130.59	140.00		+ 7.2%		130.59	140.00		+ 7.2%			
Yen/EUR	137.71	151.00		+ 9.7%		137.71	151.00		+ 9.7%			

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Major topics (May to August 2023)

News Releases
https://www.dic-global.com/en/news/2023/

May DIC and U.K. firm Qualvis Print & Packaging Ltd. develop sustainable packaging solution for a chocolate manufacturer

- The two companies provided packaging solution combining highly recyclable paper cartons with food-contact inks and aqueous varnishes.



◀New Truffle Carton with Sun's sustainable packaging solution

May A total of 32 DIC Group sites in Japan begin introducing electric power produced using renewable energy sources

- This is expected to reduce annual CO_2 emissions by approximately 77,000 tonnes (approximately 38% of CO_2 emissions (Scope 1 and 2) from DIC Group sites in Japan).

Jun DIC acquires photoresist polymers manufacturer PCAS Canada *See page 24-26.

Jun Materials with enhanced color options made from recycled waste flexible packaging film are adopted for use in packaging strapping and provisional materials

- The use of DIC's deinking technology on waste flexible packaging film collected from brand owners and processors prevents film colors being mixed into recycled pellets, facilitating multiple new applications.



◀Black pellets produced using conventional material recycling process



◀ Colorable white pellets resulting from the use of deinking technology

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Major topics (May to August 2023)

News Releases
https://www.dic-global.com/en/news/2023/

Jun DIC is selected for the SOMPO Sustainability Index for the eighth consecutive year



Jun DIC releases *HYDRAN ™ GP* series of environment-friendly waterborne polyurethane resins

- The new resins deliver a performance comparable to that of solvent-based products. DIC will promote the series globally for applications such as artificial leather, coatings and adhesives, with the aim of achieving annual sales of ¥10 billion by fiscal year 2030.

Jul DIC publishes DIC Report 2023 Integrated Report (Japanese version) English version will be published later.

Home page ＞Sustainability＞DIC Report (Integrated Report) https://www.dic-global.com/ja/csr/annual/

Jul DIC and the city of Yokkaichi sign comprehensive partnership agreement to realize both decarbonization and continued industrial development

- DIC's Yokkaichi Plant produces polystyrene, which is used primarily in food containers.
- The plant and the city have collaborated to implement a demonstration test of food container recycling and provide environmental education.

Aug DIC develops the MEGAFACE™ EFS series of environment-friendly high-performance PFAS-free surfactants

- Innovative products deliver a performance rivaling that of fluorosurfactants and also reduce environmental impact
- DIC will promote the series targeting industries ranging displays, semiconductors, automobiles and coatings and aims to achieve annual sales of ¥5 billion by fiscal year 2030.

Aug DIC resolves to divest its housing materials business (production and sales of storage units, fittings and fixtures for housing companies and decorative boards for housing equipment manufacturers)

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Business segments and principal products

Note: Fiscal year 2022 actual

Value provided

Packaging & Graphic



Net sales

¥533.0 bn



Operating income /Margin

¥20.3 bn / 3.8%

Packaging materials that bring safety and peace of mind

Color & Display



Net sales

¥248.2 bn



Operating income /Margin

¥5.1 bn / 2.1%

Color and display materials that make life colorful

Functional Products



Net sales

¥315.4 bn



Operating income /Margin

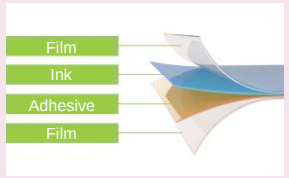
¥23.6 bn / 7.5%

Functional products that add comfort

Principal products

Packaging inks





Packaging adhesives



Packaging materials

←Polystyrene

↓Multilayer films





Jet inks



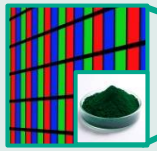
For outdoor signage



For banners



Pigments for display





Pigments for cosmetics



Pigments for specialty applications

Agriculture



Building materials



Natural colorants



Pigments for coatings

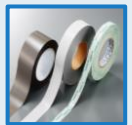
Pigments for plastics

Pigments for inks





Industrial tapes



◆ **Digital materials** (used principally in electrical and electronics equipment and displays)◆

UV-curable resins

Epoxy resins



Hollow-fiber membrane modules



◆ **Industrial materials** (used primarily in mobility solutions (vehicles, etc.))◆

Waterborne resins

Polyurethane resins

Acrylic resins

Polyester resins

PPS compounds



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Quarterly trends in segment results (Reference)

(Billion yen)

	Net sales						Operating Income					
	2022 Jan-Mar	2022 Apr-Jun	2022 Jul-Sep	2022 Oct-Dec	2023 Jan-Mar	**2023 Apr-Jun**	2022 Jan-Mar	2022 Apr-Jun	2022 Jul-Sep	2022 Oct-Dec	2023 Jan-Mar	**2023 Apr-Jun**
Packaging & Graphic	120.9	136.6	139.9	135.7	131.5	**135.0**	3.4	4.2	6.1	6.5	3.6	**4.7**
Japan	29.8	32.8	32.8	32.2	30.4	**31.1**	0.8	1.5	1.2	0.8	0.5	**1.2**
The Americas and Europe	75.3	86.8	89.1	86.2	86.2	**87.3**	2.1	2.3	3.9	4.4	2.6	**2.9**
Asia and Oceania	19.5	21.3	21.9	21.5	19.0	**19.9**	0.6	0.8	0.8	1.2	0.7	**0.7**
Eliminations	(3.7)	(4.4)	(3.9)	(4.2)	(4.0)	**(3.3)**	0.0	(0.3)	0.2	0.1	(0.1)	**(0.1)**
Color & Display	66.2	67.6	61.4	53.0	60.5	**57.4**	3.8	3.9	(0.6)	(2.1)	1.4	**(1.5)**
Japan	9.1	10.2	7.9	7.5	8.1	**8.3**	1.5	2.1	0.5	0.6	1.0	**1.4**
Overseas	61.0	61.3	56.9	48.0	55.5	**53.3**	2.4	1.7	(1.1)	(2.7)	0.4	**(2.9)**
Eliminations	(3.8)	(3.8)	(3.4)	(2.6)	(3.1)	**(4.2)**	(0.1)	0.1	0.0	0.0	0.0	**0.0**
Functional Products	74.2	79.1	81.3	80.9	73.4	**75.9**	6.6	6.7	5.5	4.8	3.1	**3.5**
Japan	52.0	55.6	53.8	55.5	50.0	**50.8**	4.3	4.6	3.3	2.4	1.1	**1.3**
Overseas	29.5	31.7	35.2	32.4	29.8	**31.9**	2.3	2.2	2.2	2.3	1.9	**2.1**
Eliminations	(7.3)	(8.2)	(7.8)	(7.0)	(6.4)	**(6.8)**	0.0	(0.1)	0.0	0.1	0.0	**0.1**
Others, Corporate and eliminations	(10.3)	(12.8)	(8.8)	(10.5)	(10.2)	**(8.3)**	(2.1)	(2.7)	(2.2)	(2.4)	(2.1)	**(2.7)**
Total	251.0	270.5	273.7	259.0	255.2	**260.1**	11.7	12.2	8.9	6.8	6.0	**4.0**

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Consolidated balance sheet (Reference)

(Billion yen)	Dec 31 2022	Jun 30 2023	Change
Current assets	660.0	687.7	27.7
Property, plant and equipment	353.5	381.5	28.0
Intangible assets	78.8	94.5	15.7
Investments and other assets	169.4	177.6	8.3
Total assets	**1,261.6**	**1,341.3**	**79.6**
Current liabilities	389.9	389.6	-0.2
Non-current liabilities	450.7	496.4	45.7
Total liabilities	**840.5**	**886.0**	**45.5**
Shareholders' equity	411.8	408.1	-3.7
Accumulated other comprehensive income	(24.8)	12.0	36.8
[Foreign currency translation adjustment]	[(17.3)]	[23.3]	[40.5]
Non-controlling interests	34.1	35.1	1.0
Total net assets	**421.1**	**455.2**	**34.1**
Total liabilities and net assets	**1,261.6**	**1,341.3**	**79.6**
Interest-bearing debt	509.3	575.6	66.3
Cash and deposits	63.4	74.2	10.8
Net interest-bearing debt	445.9	501.4	55.4

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Consolidated statement of cash flows (Reference)

(Billion yen)	2022 6 Months	**2023 6 Months**	Change
Cash flows from operating activities	(24.8)	7.2	32.0
Cash flows from investing activities	(33.1)	(45.2)	-12.0
Cash flows from financing activities	106.2	47.1	-59.1
Cash and cash equivalents at end of the period	98.8	72.5	-26.4
Free cash flow	**(57.9)**	**(38.0)**	**19.9**
Increase (decrease) in working capital	(48.6)	(4.5)	44.1
Capital expenditure and investment	34.8	45.5	10.7
Depreciation and amortization, Amortization of goodwill	23.3	25.3	2.1

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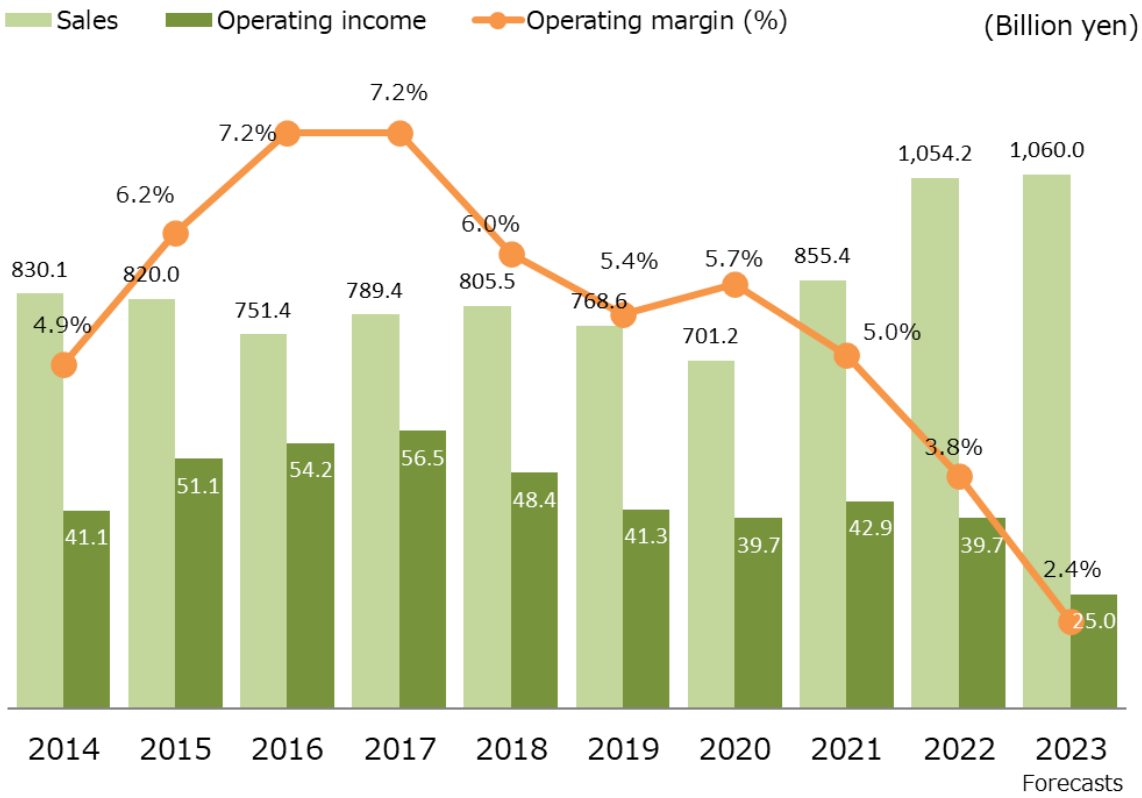
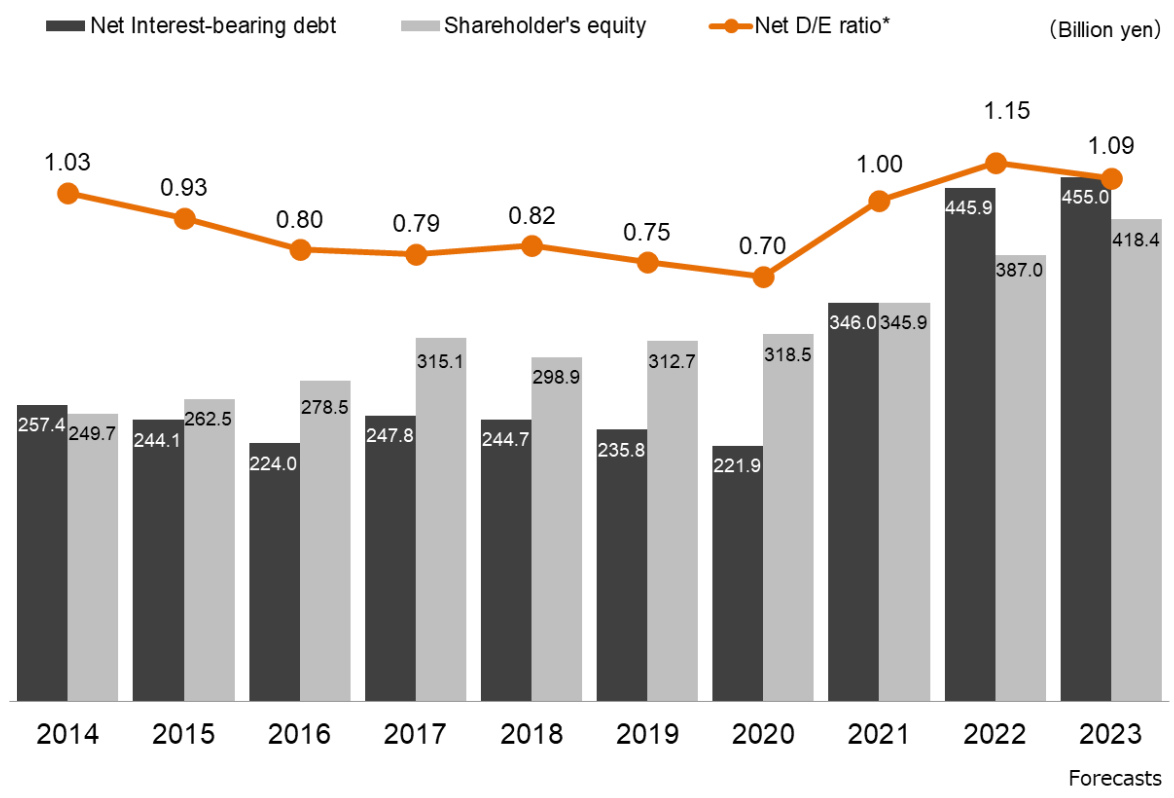
Historical performance data (Reference)

Operating results



Financial health



* Net D/E ratio: Interest-bearing debt / Shareholders' equity

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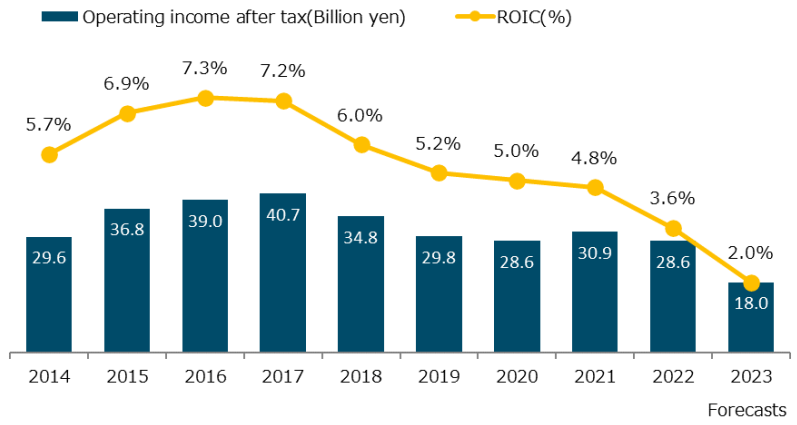
Historical performance data (Reference)

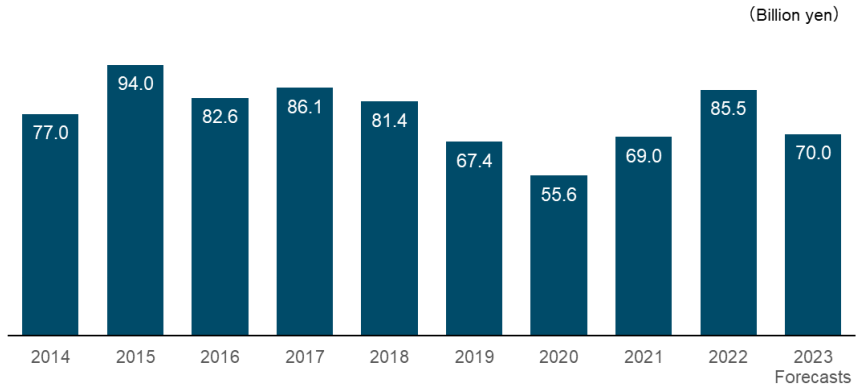
ROIC*

* Operating income x (1–tax rate 28%) / (Net interest-bearing debt + Net assets)

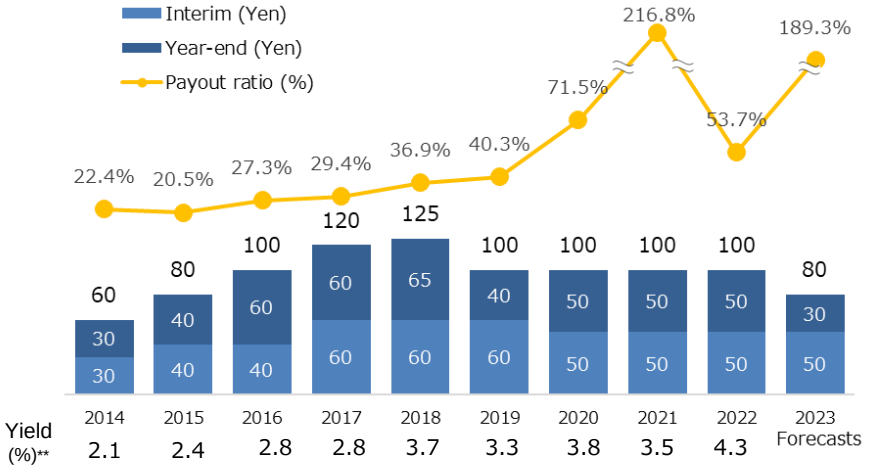


EBITDA*

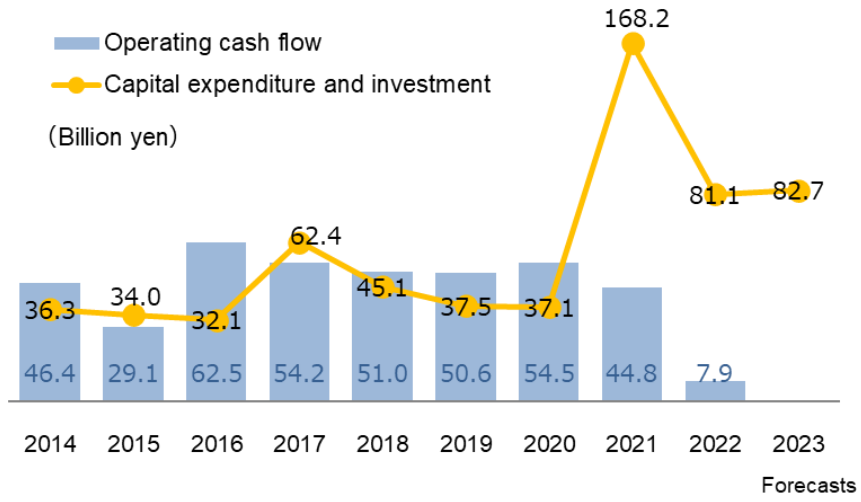
*EBITDA: Net income attributable to owners of the parent+ Total income taxes + (Interest expenses – Interest income) + Depreciation and amortization + Amortization of goodwill



Shareholder returns*



Capital expenditure and investment, operating cash flows



* Adjusted to reflect the impact of the consolidation of shares of common stock

** Dividend yield: Annual dividends / Closing price per share at fiscal year-end

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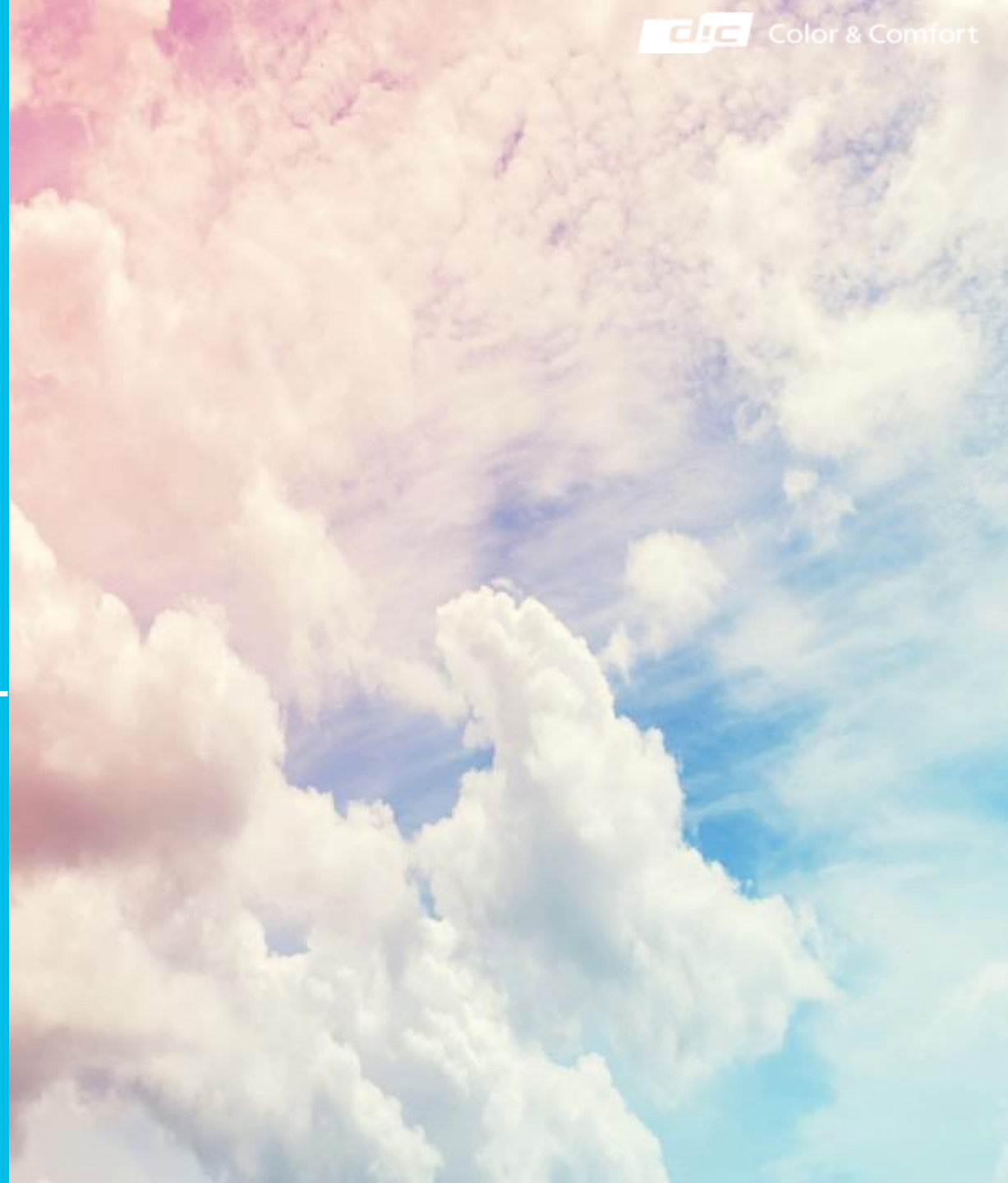
Initiatives to Bolster Corporate Value



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Initiatives to bolster corporate value

DIC Vision 2030 Long-Term Management Plan

Based on market growth potential and degree of impact on society, DIC has identified five priority business areas that leverage its competitive strengths.

▶ Sustainable energy ▶ Healthcare ▶ Smart living ▶ Color science ▶ Sustainable packaging

- Continue to promote business portfolio transformation, focusing on the five priority business areas, and seek to maximize benefits from the expected upturn in demand.
- Allocate limited management resources to priority business areas.

1. Enhance profitability by expanding efforts in priority business areas.

2. Improve efficiency of businesses in need of structural reform; withdraw from low-profit/non-core businesses and sell related assets.

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1. Enhance profitability by expanding efforts in priority business areas

- In “Smart Living,” one of the DIC Group’s five priority business areas, expand portfolio of resins for use in next-generation semiconductors.
  - In June 2023, we acquired PCAS Canada, which has a **10%-plus** share of the global market for polymers used in photoresists for semiconductor photolithography.
  - We have set a target for annual sales of photoresist polymers of approximately ¥15 billion by fiscal year 2030, transforming this into a second core business in the area of products for digital applications after epoxy resins.

PCAS Canada Inc. *

- Corporate headquarters: Quebec, Canada
- Annual Net Sales: CAD$32 million (fiscal year 2022 result)
- Number of employees: 87 (as of March 31, 2023)
- Principal operations: Manufacture and sale of polymers used in photoresists for semiconductor photolithography

* PCAS Canada has since been renamed Innovation DIC Chimitroniques Inc.

Next-generation/ growth businesses	・Step up intensive investment in New Pillar Creation ・Demonstrate strengths in highly promising markets	Sustainable energy; Healthcare; Smart living
Businesses with stable earnings bases	・Shift to growth areas by capitalizing on existing business infrastructure ・Reinforce earnings bases by transforming business models	Color science; Sustainable packaging
Businesses in need of structural reform	・Maximize profitability by improving efficiency	Publication inks; TFT LCs

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DIC Group products used in semiconductor fabrication

◆Photoresist polymers :

Special polymers that are one of the main components of photoresists; the properties of these polymers facilitate the creation of fine patterns on silicon wafers, enabling the manufacture of sophisticated electronics devices.

■ Supply Chain and Market for Photoresists for Semiconductor Photolithography

Manufacturers of polymers used in photoresists	Manufacturers of photoresists	Semiconductor fabricators
• DIC / PCAS Canada • Maruzen Petrochemical Co., Ltd. • Gun Ei Chemical Industry Co., Ltd. • Nippon Soda Co., Ltd. • Sumitomo Bakelite Co., Ltd • DuPont de Nemours, Inc. Others	• Tokyo Ohka Kogyo Co., Ltd. • JSR Corporation • Shin-Etsu Chemical Co., Ltd. • DuPont de Nemours, Inc. • Sumitomo Chemical Co., Ltd. • Fujifilm Corporation Others	• Taiwan Semiconductor Manufacturing Company Limited • Samsung Electronics Co., Ltd • Intel Corporation • SK Hynix Inc. • Kioxia Corporation • Others

Market size (2021)
Approximately ¥200 billion

The market for photoresists is expected to grow at an average annual rate of **10%.**
The market for photoresist polymers is expected to grow at a similar rate.

Source report by FUJIKEIZAI

Semiconductor fabrication: Front-end processes

1. Film formation
2. Photoresist coating
3. Exposure/development
4. Etching
5. Photoresist stripping/cleaning
6. Ion implantation
7. Planarization
8. Transistor formation
9. Wafer testing

Semiconductor fabrication: Back-end processes

1. Dicing
2. Wire bonding
3. Molding
4. Final testing

◆ Surfactants:

Added to photoresists to improve the uniformity of coating application; DIC developed a series of PFAS-free surfactants that deliver a performance rivaling that of conventional fluorosurfactants.

◆ Hollow-fiber membrane modules (antistatic devices for ultrapure water):

Used for cleaning in front-end processes (before and after 1. Film formation, after 4. Etching, and after 5. Resist stripping) and as cutting fluid in back-end processes (in 1. Dicing).

◆Epoxy resins:

Epoxy resins used in semiconductor encapsulation materials is a core DIC product in the area of digital materials.

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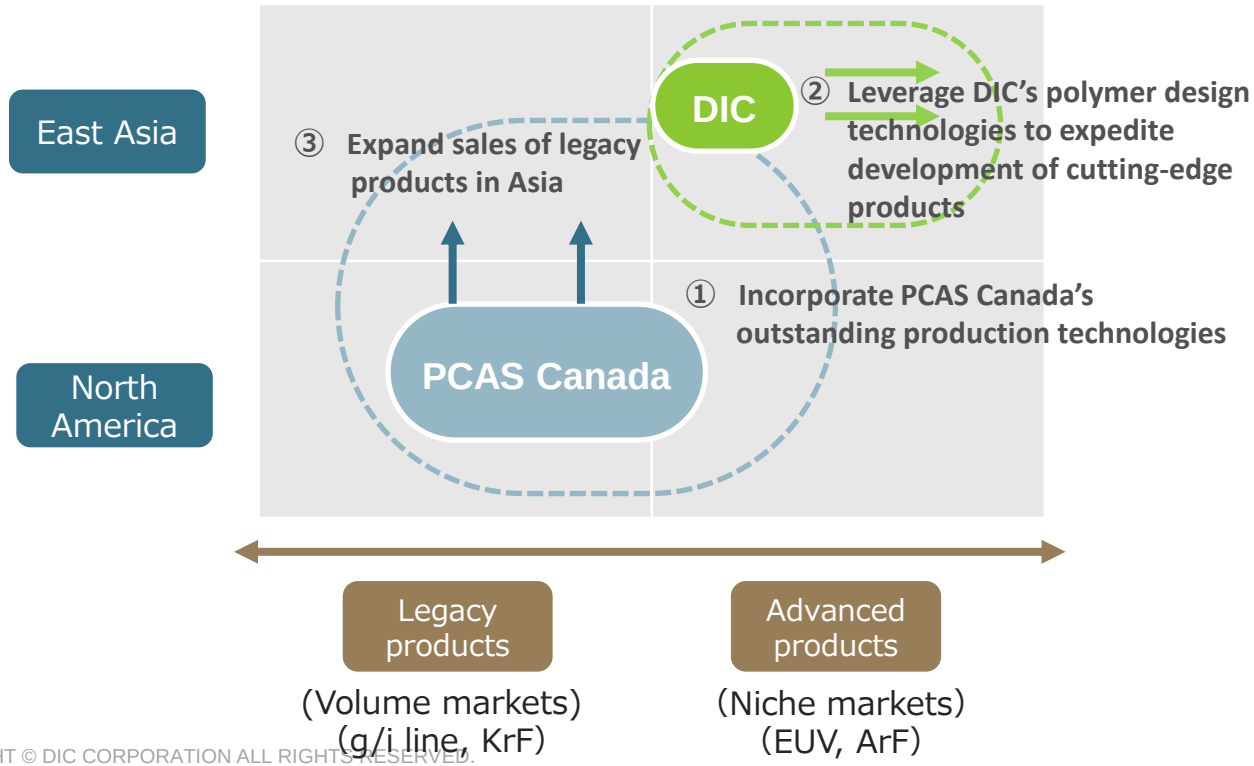
Benefits of the acquisition of PCAS Canada

PCAS Canada Industry-leading production technologies and mass production know-how necessary to achieve the superior purity and low metal content required for photoresist polymers

DIC Next-generation product development capabilities rooted in precision synthesis technologies

- Accelerate entry into the market for materials used in front-end semiconductor fabrication processes
- Seek to secure a position as the first choice of photoresist manufacturers by responding to demand for high-purity materials accompanying the greater feature density of semiconductors.

【Regional and Product-Based Sales Matrix】



Geographic synergies

- Decoupling is boosting the need for local production and local consumption of semiconductor materials.
  →A manufacturing base in North America will be a source of competitiveness
- DIC's customer base will yield sales synergies in East Asia.

Development synergies

- The combination of PCAS Canada's mass production know-how and DIC's unique polymer design technologies will accelerate the development and mass production of advanced products.
- Demand for legacy products, sold in volume markets, continue to expand. The addition of PCAS Canada's distinctive products to DIC's lineup will further increase the Company's market share.

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2. Improve efficiency of businesses in need of structural reform; withdraw from low-profit/non-core businesses and sell related assets

Improve efficiency of businesses in need of structural reform

- In the domestic printing inks business, DIC will fulfill its responsibility to supply products to customers while at the same time working to strengthen profitability by implementing/considering new measures to improve production efficiency that anticipate a shrinking market.

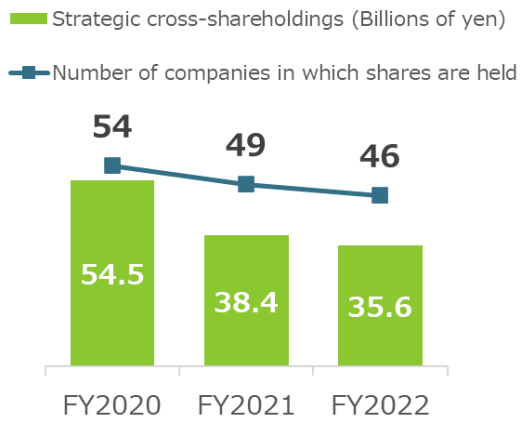
Withdraw from low-profit/non-core businesses

- The Board of Directors annually evaluates businesses based on criteria for withdrawal. DIC will withdraw from businesses in which it is difficult to maintain a competitive edge due to changes in the operating environment and reallocate resources to priority business areas.
  - ✓ In June 2023, the Company withdrew from the 4-tertiary butylphenol (PTBP) business.
  - ✓ In October 2023, the Company will divest its housing materials business.
- DIC plans to review/withdraw from businesses in the Functional Products segment with combined annual sales of ¥20 billion (including PTBP and housing materials) in fiscal years 2022 and 2023.

Curtail strategic cross-shareholdings

- The Board of Directors annually assesses the purpose of each cross-shareholding and consistently promotes reduction.
- As of the end of fiscal year 2022, cross-shareholdings accounted for 8% of net assets.
- By fiscal year 2026, DIC aims to reduce cross-shareholdings to below 4% of net assets

Notes: 1.Strategic shareholdings include deemed shareholdings. 2.Strategic shareholdings do not include unlisted stocks.



Shrink other assets

- Approximately $5.0 billion in cash—representing proceeds from sales of property, plant and equipment as part of rationalization efforts in the printing inks business—will be applied to strategic investments.

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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 materially 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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Color & Comfort





DIC Corporation

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