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On February 19, 2021, DIC Corporation (DIC) announced earnings results for full-year FY12/20.

Cumulative (JPY mn)	FY12/18				FY12/19				FY12/20				FY12/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	196,197	398,788	600,748	805,498	190,708	385,014	576,587	768,568	181,655	343,748	514,308	701,223	100.2%	700,000
YoY	3.8%	4.2%	3.0%	2.0%	-2.8%	-3.5%	-4.0%	-4.6%	-4.7%	-10.7%	-10.8%	-8.8%		-8.8%
Gross profit	43,205	88,875	133,041	175,648	39,592	81,829	123,583	165,369	41,030	77,489	113,811	156,793		
YoY	-2.6%	-0.3%	-1.9%	-4.3%	-8.4%	-7.9%	-7.1%	-5.9%	3.6%	-5.3%	-7.9%	-5.2%		
Gross profit margin	22.0%	22.3%	22.1%	21.8%	20.8%	21.3%	21.4%	21.5%	22.6%	22.5%	22.1%	22.4%		
SG&A expenses	32,181	64,557	96,629	127,263	31,506	63,437	94,112	124,037	31,106	59,653	88,234	117,130		
YoY	3.1%	2.3%	1.6%	0.1%	-2.1%	-1.7%	-2.6%	-2.5%	-1.3%	-6.0%	-6.2%	-5.6%		
SG&A ratio	16.4%	16.2%	16.1%	15.8%	16.5%	16.5%	16.3%	16.1%	17.1%	17.4%	17.2%	16.7%		
Operating profit	11,024	24,318	36,412	48,385	8,086	18,392	29,471	41,332	9,924	17,835	25,577	39,663	113.3%	35,000
YoY	-16.0%	-6.6%	-10.2%	-14.3%	-26.7%	-24.4%	-19.1%	-14.6%	22.7%	-3.0%	-13.2%	-4.0%		-15.3%
Operating profit margin	5.6%	6.1%	6.1%	6.0%	4.2%	4.8%	5.1%	5.4%	5.5%	5.2%	5.0%	5.7%		5.0%
Recurring profit	11,032	24,473	36,441	48,702	8,134	18,994	29,964	41,302	8,292	15,558	22,965	36,452	115.7%	31,500
YoY	-16.7%	-6.1%	-10.4%	-14.5%	-26.3%	-22.4%	-17.8%	-15.2%	1.9%	-18.1%	-23.4%	-11.7%		-23.7%
Recurring profit margin	5.6%	6.1%	6.1%	6.0%	4.3%	4.9%	5.2%	5.4%	4.6%	4.5%	4.5%	5.2%		4.5%
Net income	7,410	14,905	22,442	32,028	5,302	13,130	18,327	23,500	4,605	10,334	13,913	13,233	88.2%	15,000
YoY	-16.2%	-14.5%	-36.1%	-17.0%	-28.4%	-11.9%	-18.3%	-26.6%	-13.1%	-21.3%	-24.1%	-43.7%		-36.2%
Net margin	3.8%	3.7%	3.7%	4.0%	2.8%	3.4%	3.2%	3.1%	2.5%	3.0%	2.7%	1.9%		2.1%

  

Quarterly (JPY mn)	FY12/18				FY12/19				FY12/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	196,197	202,591	201,960	204,750	190,708	194,306	191,573	191,981	181,655	162,093	170,560	186,915
YoY	3.8%	4.6%	0.7%	-0.7%	-2.8%	-4.1%	-5.1%	-6.2%	-4.7%	-16.6%	-11.0%	-2.6%
Gross profit	43,205	45,670	44,166	42,607	39,592	42,237	41,754	41,786	41,030	36,459	36,322	42,982
YoY	-2.6%	1.9%	-5.1%	-11.1%	-8.4%	-5.5%	-1.9%	-2.9%	3.6%	-13.7%	-13.0%	2.9%
Gross profit margin	22.0%	22.5%	21.9%	20.8%	20.8%	21.7%	21.8%	21.8%	22.6%	22.5%	21.3%	23.0%
SG&A expenses	32,181	32,376	32,072	30,634	31,506	31,931	30,675	29,925	31,106	28,547	28,581	28,896
YoY	3.1%	1.5%	0.2%	-4.3%	-2.1%	-1.4%	-4.4%	-2.3%	-1.3%	-10.6%	-6.8%	-3.4%
SG&A ratio	16.4%	16.0%	15.9%	15.0%	16.5%	16.4%	16.0%	15.6%	17.1%	17.6%	16.8%	15.5%
Operating profit	11,024	13,294	12,094	11,973	8,086	10,306	11,079	11,861	9,924	7,911	7,742	14,086
YoY	-16.0%	3.0%	-16.7%	-24.8%	-26.7%	-22.5%	-8.4%	-0.9%	22.7%	-23.2%	-30.1%	18.8%
Operating profit margin	5.6%	6.6%	6.0%	5.8%	4.2%	5.3%	5.8%	6.2%	5.5%	4.9%	4.5%	7.5%
Recurring profit	11,032	13,441	11,968	12,261	8,134	10,860	10,970	11,338	8,292	7,266	7,407	13,487
YoY	-16.7%	4.9%	-18.1%	-24.7%	-26.3%	-19.2%	-8.3%	-7.5%	1.9%	-33.1%	-32.5%	19.0%
Recurring profit margin	5.6%	6.6%	5.9%	6.0%	4.3%	5.6%	5.7%	5.9%	4.6%	4.5%	4.3%	7.2%
Net income	7,410	7,495	7,537	9,586	5,302	7,828	5,197	5,173	4,605	5,729	3,579	-680
YoY	-16.2%	-12.9%	-57.4%	175.1%	-28.4%	4.4%	-31.0%	-46.0%	-13.1%	-26.8%	-31.1%	-
Net margin	3.8%	3.7%	3.7%	4.7%	2.8%	4.0%	2.7%	2.7%	2.5%	3.5%	2.1%	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Cumulative (JPY mn)	FY12/18				FY12/19				FY12/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	196,197	398,788	600,748	805,498	190,708	385,014	576,587	768,568	181,655	343,748	514,308	701,223
YoY	3.8%	4.2%	3.0%	2.0%	-2.8%	-3.5%	-4.0%	-4.6%	-4.7%	-10.7%	-10.8%	-8.8%
Packaging and Graphic	105,319	214,259	323,599	434,679	103,317	208,670	312,099	416,377	99,295	190,116	286,217	388,423
YoY	-	-	-	-	-1.9%	-2.6%	-3.6%	-4.2%	-3.9%	-8.9%	-8.3%	-6.7%
Color and Display	32,603	64,521	95,045	124,113	30,956	61,141	89,576	116,411	29,534	54,549	79,889	105,803
YoY	-	-	-	-	-5.1%	-5.2%	-5.8%	-6.2%	-4.6%	-10.8%	-10.8%	-9.1%
Functional Products	67,222	137,855	208,763	282,116	65,034	132,100	199,947	268,590	61,188	114,497	170,402	235,993
YoY	-	-	-	-	-3.3%	-4.2%	-4.2%	-4.8%	-5.9%	-13.3%	-14.8%	-12.1%
Operating profit	11,024	24,318	36,412	48,385	8,086	18,392	29,471	41,332	9,924	17,835	25,577	39,663
YoY	-16.0%	-6.6%	-10.2%	-14.3%	-26.7%	-24.4%	-19.1%	-14.6%	22.7%	-3.0%	-13.2%	-4.0%
Packaging and Graphic	3,661	9,382	14,904	19,887	3,230	7,990	13,087	19,178	4,013	8,739	13,543	21,766
YoY	-	-	-	-	-11.8%	-14.8%	-12.2%	-3.6%	24.2%	9.4%	3.5%	13.5%
Color and Display	3,708	8,238	11,346	14,977	2,882	6,021	8,821	10,784	2,726	4,586	6,275	8,443
YoY	-	-	-	-	-22.3%	-26.9%	-22.3%	-28.0%	-5.4%	-23.8%	-28.9%	-21.7%
Functional Products	5,170	10,080	15,316	20,809	3,562	7,894	12,940	19,234	4,771	8,097	11,246	17,103
YoY	-	-	-	-	-31.1%	-21.7%	-15.5%	-7.6%	33.9%	2.6%	-13.1%	-11.1%

  

Quarterly (JPY mn)	FY12/18				FY12/19				FY12/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	196,197	202,591	201,960	204,750	190,708	194,306	191,573	191,981	181,655	162,093	170,560	186,915
YoY	3.8%	4.6%	0.7%	-0.7%	-2.8%	-4.1%	-5.1%	-6.2%	-4.7%	-16.6%	-11.0%	-2.6%
Packaging and Graphic	105,319	108,940	109,340	111,080	103,317	105,353	103,429	104,278	99,295	90,821	96,101	102,206
YoY	-	-	-	-	-1.9%	-3.3%	-5.4%	-6.1%	-3.9%	-13.8%	-7.1%	-2.0%
Color and Display	32,603	31,918	30,524	29,068	30,956	30,185	28,435	26,835	29,534	25,015	25,340	25,914
YoY	-	-	-	-	-5.1%	-5.4%	-6.8%	-7.7%	-4.6%	-17.1%	-10.9%	-3.4%
Functional Products	67,222	70,633	70,908	73,353	65,034	67,066	67,847	68,643	61,188	53,309	55,905	65,591
YoY	-	-	-	-	-3.3%	-5.1%	-4.3%	-6.4%	-5.9%	-20.5%	-17.6%	-4.4%
Operating profit	11,024	13,294	12,094	11,973	8,086	10,306	11,079	11,861	9,924	7,911	7,742	14,086
YoY	-16.0%	3.0%	-16.7%	-24.8%	-26.7%	-22.5%	-8.4%	-0.9%	22.7%	-23.2%	-30.1%	18.8%
Packaging and Graphic	3,661	5,721	5,522	4,983	3,230	4,760	5,097	6,091	4,013	4,726	4,804	8,223
YoY	-	-	-	-	-11.8%	-16.8%	-7.7%	22.2%	24.2%	-0.7%	-5.7%	35.0%
Color and Display	3,708	4,530	3,108	3,631	2,882	3,139	2,800	1,963	2,726	1,860	1,689	2,168
YoY	-	-	-	-	-22.3%	-30.7%	-9.9%	-45.9%	-5.4%	-40.7%	-39.7%	10.4%
Functional Products	5,170	4,910	5,236	5,493	3,562	4,332	5,046	6,294	4,771	3,326	3,149	5,857
YoY	-	-	-	-	-31.1%	-11.8%	-3.6%	14.6%	33.9%	-23.2%	-37.6%	-6.9%

Note: The company revised its segments from FY12/19 in line with the launch of the DIC111 medium-term management plan.

Source: Shared Research based on company data

## Full-year FY12/20 results

- ▷ DIC reported FY12/20 sales of JPY701.2bn (-8.8% YoY), operating profit of JPY39.7bn (-4.0% YoY), recurring profit of JPY36.5bn (-11.7% YoY), and net income attributable to owners of the parent of JPY13.2bn (-43.7% YoY).
- ▷ Average exchange rates were JPY106.37/USD (versus JPY109.11/USD in FY12/19) and JPY121.43/EUR (versus JPY122.13/EUR).
- ▷ Sales declined 8.8% YoY (-6.2% on a local currency basis). Sales in all segments fell on the prolonged COVID-19 pandemic and the ongoing slump in economic activity in a wide range of geographic regions. However, sales of automotive materials and publishing inks showed signs of recovering toward the end of the year.
- ▷ Operating profit fell 4.0% YoY as depreciation in emerging economy currencies weakened earnings in the overseas business after translation. Operating profit on a local currency basis was up 1.5% YoY. Despite a downturn in sales, operating profit benefitted from lower raw material prices and a decline in costs, including as a result of rationalization measures and lower expenses for sales activities. In addition, shipment volume recovered in the October–December period. Overseas profit levels were higher YoY on a local currency basis thanks to a recovery in shipment volumes, particularly for inks in Asia, the Americas, and Europe, as well as cost reductions, including those achieved through streamlining and reduced outlays for sales activities. On the other hand, recovery in overall shipment volume is taking longer in Japan, resulting in a larger drop in profit.
- ▷ Net income attributable to owners of the parent was down 43.7% YoY. In addition to one-time expenses related to the acquisition of BASF's pigment business, the company also booked extraordinary losses tied to the acquisition of the business.

## Results by segment

### Packaging and Graphic

#### Segment sales

- ▷ Segment sales were JPY388.4bn (-6.7% YoY). Sales were down 2.9% YoY on a local currency basis due to depreciation in the euro and the currencies of emerging nations.
- ▷ In the food packaging business, sales of packaging ink rose in Asia, the Americas, and Europe on strong demand, but declined in Japan as the COVID-19 pandemic led to sluggish sales to convenience stores and other clients. In polystyrene, sales volume remained flat YoY, but sales value declined 14% YoY on a downturn in product prices. Multilayer film sales were down 2% YoY, though demand for food packaging that helps prevent food loss remained firm.
- ▷ Sales of publishing ink (mainly used to print newspapers and other publications) showed signs of recovery for advertising and commercial printing in all regions from July, but this was not enough to fully restore the sluggish demand caused by the pandemic, leading to a decline in sales in each region and overall sales dropping 18% YoY. Sales of jet ink (used in digital printing) rose 4% YoY as a rebound in demand following the dip in the July–September period contributed to favorable shipment volume.

#### Segment operating profit

- ▷ Segment operating profit was JPY21.8bn (+13.5% YoY, or +23.3% YoY on a local currency basis). Earnings were bolstered by firm shipments of printing inks to the Americas and Europe, as well as by lower raw material prices and the favorable effects from rationalization measures. A rise in shipment volume for high value-added jet inks also helped improve the profitability.
- ▷ Factors contributing to the growth in segment profit included cost reductions, largely on the back of streamlining efforts, and stronger demand for food packaging as the COVID-19 pandemic led to favorable shipment volume throughout the year for packaging inks in Asia, the Americas, and Europe, as well as for multilayer films in Japan.

## Color and Display

### Segment sales

- ▷ Segment sales were JPY105.8bn (-9.1% YoY, or -6.7% on a local currency basis).
- ▷ In the color business, sales of functional pigments declined 12% YoY amid a drop in shipment volume, largely in cosmetics pigments, as mask-wearing became an ingrained part of life around the world. Sales of pigments for ink were weak and sales of general pigments fell 8% YoY.
- ▷ In the display business, shipments of color filter pigments grew as consumers spending more of time at home led to robust demand for LCD panels. TFT liquid crystal materials sales were down 6% YoY. On the other hand, sales of shiny materials also rose YoY thanks to higher demand for aerated concrete for building materials in Europe.
- ▷ In health foods, sales of health foods at drugstores struggled, but sales of natural blue colorants showed a steady expansion.

### Segment operating profit

- ▷ Segment operating profit was JPY8.4bn (-21.7% YoY, or -19.7% YoY on a local currency basis).
- ▷ In October–December 2020, shipment volume of high value-added display-related products expanded. However, profit declined sharply YoY as the company was unable to offset fixed costs incurred on lower utilization rates at some plants as it sought to adjust production amid weak shipments of cosmetics pigments for the Americas and Europe.

## Functional Products

### Segment sales

- ▷ Segment sales were JPY236.0bn (-12.1% YoY, or -11.6% on a local currency basis).
- ▷ Sales of epoxy resins, which are mainly for use in semiconductor applications, were down 3% YoY as demand slowed in Q3. A rebound in automotive demand in Q4 contributed to favorable shipments.
- ▷ Sales of industrial tape, which is mainly used for smartphones, were up 8% YoY.
- ▷ Sales of sustainable resin products (aqueous, UV-curable, polyester, acrylic, and urethane resins) were down 12% YoY, despite a strong recovery in shipments, mainly in automotive applications.
- ▷ PPS compound sales were down 11% YoY, despite a recovery in automobile markets in a number of countries contributing to a strong YoY improvement in shipments in Q4.
- ▷ Hollow-fiber membrane module sales were up 5% YoY on favorable shipments for semiconductor manufacturing applications.

### Segment operating profit

- ▷ Segment operating profit was JPY17.1bn (-11.1% YoY, or -10.6% on a local currency basis).
- ▷ The product mix improved on a recovery in shipments of high value-added epoxy resins. Profit also benefitted from lower raw material expenses and cost reductions. However, operating profit declined YoY as shipments of a wide range of industrial products, including automobiles and construction materials, fell throughout the year.

## FY12/21 company forecast (out February 19, 2021)

(JPYmn)	FY12/19			FY12/20			FY12/21		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
<b>Sales</b>	<b>385,014</b>	<b>383,554</b>	<b>768,568</b>	<b>343,748</b>	<b>357,475</b>	<b>701,223</b>	<b>368,000</b>	<b>382,000</b>	<b>750,000</b>
Cost of sales	303,185	300,014	603,199	266,259	278,171	544,430			
<b>Gross profit</b>	<b>81,829</b>	<b>83,540</b>	<b>165,369</b>	<b>77,489</b>	<b>79,304</b>	<b>156,793</b>			
Gross profit margin	21.3%	21.8%	21.5%	22.5%	22.2%	22.4%			
SG&A expenses	63,437	60,600	124,037	59,653	57,477	117,130			
SG&A ratio	16.5%	15.8%	16.1%	17.4%	16.1%	16.7%			
<b>Operating profit</b>	<b>18,392</b>	<b>22,940</b>	<b>41,332</b>	<b>17,835</b>	<b>21,828</b>	<b>39,663</b>	<b>20,500</b>	<b>24,500</b>	<b>45,000</b>
Operating profit margin	4.8%	6.0%	5.4%	5.2%	6.1%	5.7%	5.6%	6.4%	6.0%
<b>Recurring profit</b>	<b>18,994</b>	<b>22,308</b>	<b>41,302</b>	<b>15,558</b>	<b>20,894</b>	<b>36,452</b>	<b>19,000</b>	<b>23,000</b>	<b>42,000</b>
Recurring profit margin	4.9%	5.8%	5.4%	4.5%	5.8%	5.2%	5.2%	6.0%	5.6%
<b>Net income</b>	<b>13,130</b>	<b>10,370</b>	<b>23,500</b>	<b>10,334</b>	<b>2,899</b>	<b>13,233</b>	<b>9,000</b>	<b>11,000</b>	<b>20,000</b>
Net margin	3.4%	2.7%	3.1%	3.0%	0.8%	1.9%	2.4%	2.9%	2.7%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

### FY12/21 earnings forecast

The company's FY12/21 forecast calls for sales of JPY750.0bn (+7.0% YoY), operating profit of JPY45.0bn (+13.5% YoY), recurring profit of JPY42.0bn (+15.2% YoY), and net income attributable to owners of the parent of JPY20.0bn (+51.1% YoY). DIC projects average exchange rates of JPY105.00/USD (JPY106.37/USD in FY12/20) and JPY125.00/EUR (JPY121.43/EUR). The company's forecast factors in expectations for a further decline in costs, as well as the launch of and expansion in sales of differentiated and high value-added products that are less susceptible to changes in the macroenvironment. DIC expects depreciation and amortization to decline 1.3% YoY to JPY33.0bn. The annual dividend forecast is JPY100 per share, unchanged from FY12/20, representing a dividend payout ratio of 47.3%. The company targets capex and investment at JPY42.5bn (+14.5% YoY).

DIC is working to complete its acquisition of BASF Color & Effects business in Q1 FY12/21 and to secure the smooth transfer of the business thereafter. The announced forecast does not factor in the expected impact from this acquisition. Because the closing of the transaction is subject to approval from the US Federal Trade Commission, there is some potential that the execution could be rescheduled to Q2 FY12/21 in line with the progress of the approval procedures.

### Operating profit forecast

- ▷ DIC projects operating profit to improve 13.5% YoY to JPY45.0bn. Despite downside risks posed by the resurgence of COVID-19 cases in Japan and overseas, the company expects ongoing recovery in shipments. DIC believes oil prices are likely to rise as demand picks up, and amid such an environment aims to launch and expand sales of differentiated and high value-added products as it transforms its business portfolio.
- ▷ Factors impacting operating profit: 1) Improved sales volume and product mix: approx. JPY12.7bn positive impact; 2) Lower raw material prices: approx. JPY11.0bn negative impact; 3) Rise in selling prices: approx. JPY5.1bn positive impact; 4) Higher costs: JPY1.1bn negative impact; and 5) Forex and other factors: approx. JPY400mn negative impact

### Earnings forecast by segment

#### Packaging and Graphic

- ▷ Sales: JPY408.5bn (+5.2% YoY); operating profit: JPY23.2bn (+6.7% YoY)

#### Color and Display

- ▷ Sales: JPY111.3bn (+5.2% YoY); operating profit: JPY10.6bn (+25.7% YoY)

#### Functional Products

- ▷ Sales: JPY259.8bn (+10.1% YoY); operating profit: JPY20.2bn (+17.9% YoY)

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