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DIC Recorded Net Loss for FY2023—No Immediate Impact on Rating, JCR will Watch for Future Performance Recovery

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on DIC Corporation's (security code: 4631) financial results for the fiscal year ended December 31, 2023.

(1) On February 13, 2024, DIC Corporation (the “Company”) announced its financial results for the fiscal year ended December 31, 2023 (FY2023). The Company secured black figures, such as the operating income of 17.9 billion yen (down 54.8% year-on-year) and ordinary income of 9.2 billion yen (down 76.9% year-on-year), in line with the forecasts made at the time of the release of the financial results up to the third quarter of the fiscal year, but net income attributable to owners of the parent was 39.9 billion yen in the red (17.6 billion yen in the black for FY2022) due to the posting of 40.6 billion yen in extraordinary losses. The majority of the extraordinary losses was due to the recording of impairment losses totaling 33.5 billion yen, including impairment of goodwill amounting to 19.7 billion yen related to the C&E pigment business acquired in 2021, as well as the impairment of fixed assets caused by the realignment of several production facilities and suspension of commercialization of a new business, due to the worsening external environment, including heightened geopolitical risks and global inflationary trends.

(2) Operating income for FY2023 was the lowest level since the 2000s, and the Company posted its first net loss since FY2000. Given these facts, the Company's performance is undeniably severe. However, quarterly operating income is beginning to pick up, and the Company expects an increase in both revenue and profit with its forecasts for FY2024 of net sales of 1.1 trillion yen (up 5.9% year-on-year) and operating income of 30 billion yen (up 67.2% year-on-year). JCR believes that the risk of a further downturn in the Company's performance is limited, given that there is no significant change in the competitiveness of the Company's mainstay product groups and that the optimal allocation of management resources and structural reforms will be implemented. Although the Company's financial structure was adversely affected by the posting of a large net loss, it still has equity capital in the upper 300 billion yen range and has a certain degree of financial durability. In light of these factors, JCR has determined that there is no need to immediately revise the rating due to the recording of net loss. Going forward, JCR will focus on the pace of performance recovery, synergies from acquired businesses, and progress in efforts for structural reforms.

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<Reference>
Issuer: DIC Corporation
Long-term Issuer Rating: A Outlook: Stable

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