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February 9, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4611
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 Scheduled date to file quarterly securities report: February 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	54,122	7.8	3,035	16.5	3,283	20.0	2,185	30.8
December 31, 2021	50,225	7.5	2,606	41.5	2,734	22.4	1,670	40.8

Note: Comprehensive income For the nine months ended December 31, 2022: ¥3,011 million [106.4%]
 For the nine months ended December 31, 2021: ¥1,458 million [18.1%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	76.99	76.41
December 31, 2021	58.98	58.53

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	94,560	54,181	54.0	1,794.17
March 31, 2022	87,705	51,991	55.9	1,730.00

Reference: Equity

As of December 31, 2022: ¥51,016 million
 As of March 31, 2022: ¥49,015 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	0.00	–	25.00	25.00
Fiscal year ending March 31, 2023	–	0.00	–		
Fiscal year ending March 31, 2023 (Forecast)				25.00	25.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	72,000	7.5	3,800	19.4	4,200	21.2	3,300	62.4	116.22

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2022	29,710,678 shares
As of March 31, 2022	29,710,678 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2022	1,276,092 shares
As of March 31, 2022	1,377,931 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	28,381,717 shares
Nine months ended December 31, 2021	28,320,032 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*** Proper use of earnings forecasts, and other special matters**

The earnings forecasts and other forward-looking statements in these materials are based on information currently available to the Company and on certain assumptions deemed reasonable, and the Company does not intend to guarantee their achievement. Furthermore, actual results, etc. may differ significantly due to various factors. Please refer to “1. Qualitative Information on Financial Results for the Quarter, (3) Explanation of forward-looking information such as consolidated earnings forecasts” on page 3 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

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1. Qualitative Information on Financial Results for the Quarter

(1) Explanation of operating results

In the first nine months of the fiscal year ending March 31, 2023, the Japanese economy progressively achieved a balance between preventing the spread of the novel coronavirus infection and maintaining economic activities. However, the outlook remained uncertain due to factors such as not only the rise in raw material prices and energy prices triggered by the prolonged situation in Ukraine, but the downturn in overseas economies and sharp fluctuations in exchange rates brought about by global monetary tightening.

As for the Group's business results, net sales were ¥54,122 million (a 7.8% year-on-year increase) thanks to progress in price pass-through in each segment. On the profit side, this progress in price pass-through and a strong performance in the lighting business resulted in an operating profit of ¥3,035 million (a ¥429 million year-on-year increase), ordinary profit of ¥3,283 million (a ¥548 million year-on-year increase), and profit attributable to owners of parent of ¥2,185 million (a ¥514 million year-on-year increase).

The business results by segment were as follows.

[Domestic coatings business]

In the general-use sector, sales of coatings for structures remained strong, but in the industrial-use sector, sales remained sluggish due to a decline in demand for coatings for building materials and plastics. In this segment, net sales increased year on year due to further progress in price pass-through. On the profit side, the price pass-through was not enough to offset the impact of higher raw material prices, resulting in a lower profit year on year.

As a result, net sales were ¥39,896 million (a 6.5% year-on-year increase), and operating profit was ¥1,601 million (a ¥95 million year-on-year decrease).

[Overseas coatings business]

In Southeast Asia, demand from major customers recovered in Singapore and Malaysia. In North and Central America, demand for coatings for automotive parts decreased due to a decline in production by major customers. In China, although sales of baking coatings increased thanks to the acquisition of new customers, demand for coatings for automotive parts decreased due primarily to the impact of the COVID-19 Zero policy (policy of no newly infected patients). In this segment, net sales were higher year on year due to measures to pass on the rise in raw material prices and the effect of foreign currency translation resulting from the yen's depreciation. Profits were lower year on year due primarily to a decrease in demand and the impact of higher raw material prices in Thailand, Mexico and China.

As a result, net sales were ¥5,917 million (a 15.3% year-on-year increase), and operating profit was ¥241 million (a ¥17 million year-on-year decrease).

[Lighting business]

In the commercial LED lighting field, net sales in this segment were higher year on year due to measures to pass on the rise in raw material prices, in addition to a recovery in demand for lighting for commercial facilities and construction. As for profits, they exceeded year on year levels due to increased sales and efforts to reduce costs.

As a result, net sales were ¥6,083 million (a 9.0% year-on-year increase), and operating profit was ¥874 million (a ¥511 million year-on-year increase).

[Fluorescent color material business]

In the processed products segment, demand is on a recovery trend due to the resumption of various events, etc. However, in the pigments segment, demand from major customers declined in both domestic and overseas markets, and net sales in this segment fell year on year. In terms of earnings, sales increased year on year due to measures to pass on the rise in raw material prices and reduce expenses.

As a result, net sales were ¥860 million (a 5.7% year-on-year decrease), and operating profit was ¥57 million (a ¥26 million year-on-year increase).

[Other businesses]

Net sales were ¥1,364 million (an 18.2% year-on-year increase), and operating profit was ¥104 million (a ¥2 million year-on-year decrease).

(2) Explanation of financial position

Total assets at the end of the third quarter of the fiscal year ending March 31, 2023, were ¥94,560 million, an increase of ¥6,855 million from the end of the previous fiscal year. Current assets increased by ¥5,557 million to ¥40,330 million from the end of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable - trade, and contract assets of ¥3,640 million, and an increase in inventories of ¥1,848 million. Non-current assets totaled ¥54,229 million, an increase of ¥1,297 million from the end of the previous fiscal year. This was mainly due to an increase in property, plant and equipment of ¥1,140 million, and an increase in investments and other assets of ¥190 million.

Liabilities totaled ¥40,379 million, an increase of ¥4,665 million from the end of the previous fiscal year. Current liabilities totaled ¥31,026 million, an increase of ¥5,235 million from the end of the previous fiscal year, mainly due to an increase of ¥2,708 million in notes and accounts payable - trade, an increase in short-term borrowings of ¥2,800 million, a decrease in provision for product warranties of ¥121 million, and an increase in lease liabilities of ¥191 million. Non-current liabilities were ¥9,352 million, a decrease from the end of the previous fiscal year of ¥570 million. The main factors in this were a decrease of long-term borrowings of ¥300 million, and a decrease in lease liabilities of ¥217 million.

Net assets were ¥54,181 million, an increase of ¥2,189 million from the end of the previous fiscal year. The main reasons for this were an increase in retained earnings of ¥1,452 million, a decrease in treasury shares of ¥116 million, a decrease in valuation difference on available-for-sale securities of ¥200 million, an increase in foreign currency translation adjustment of ¥1,304 million, a decrease in the remeasurements of defined benefit plans of ¥672 million, and an increase in non-controlling interests of ¥266 million.

(3) Explanation of forward-looking information such as consolidated earnings forecasts

The consolidated earnings forecast for the full year ending March 31, 2023, is unchanged from the forecast announced on October 27, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	6,777	6,741
Notes and accounts receivable - trade, and contract assets	16,411	20,052
Merchandise and finished goods	5,603	6,605
Work in process	905	982
Raw materials and supplies	3,720	4,488
Other	1,386	1,475
Allowance for doubtful accounts	(31)	(15)
Total current assets	34,773	40,330
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,323	23,175
Accumulated depreciation	(14,449)	(15,038)
Buildings and structures, net	7,873	8,136
Machinery, equipment and vehicles	23,441	24,158
Accumulated depreciation	(19,669)	(20,298)
Machinery, equipment and vehicles, net	3,772	3,859
Land	11,498	12,313
Leased assets	1,902	1,777
Accumulated depreciation	(1,001)	(1,070)
Leased assets, net	900	706
Construction in progress	209	152
Other	6,820	7,351
Accumulated depreciation	(5,483)	(5,788)
Other, net	1,336	1,562
Total property, plant and equipment	25,591	26,732
Intangible assets		
Leased assets	120	85
Other	254	255
Total intangible assets	374	341
Investments and other assets		
Investment securities	7,324	6,973
Deferred tax assets	1,794	1,771
Retirement benefit asset	17,264	17,893
Other	608	540
Allowance for doubtful accounts	(25)	(23)
Total investments and other assets	26,965	27,156
Total non-current assets	52,932	54,229
Total assets	87,705	94,560

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,340	19,048
Short-term borrowings	3,050	5,850
Lease liabilities	312	504
Income taxes payable	429	366
Provision for bonuses for directors (and other officers)	56	–
Provision for product warranties	370	249
Other	5,230	5,007
Total current liabilities	25,790	31,026
Non-current liabilities		
Long-term borrowings	1,200	900
Lease liabilities	981	764
Deferred tax liabilities	5,436	5,339
Deferred tax liabilities for land revaluation	1,303	1,303
Retirement benefit liability	938	995
Provision for environmental measures	8	–
Other	54	49
Total non-current liabilities	9,923	9,352
Total liabilities	35,713	40,379
Net assets		
Shareholders' equity		
Share capital	8,827	8,827
Capital surplus	2,440	2,440
Retained earnings	29,417	30,870
Treasury shares	(1,582)	(1,465)
Total shareholders' equity	39,101	40,671
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,027	2,827
Revaluation reserve for land	1,882	1,882
Foreign currency translation adjustment	(2)	1,301
Remeasurements of defined benefit plans	5,006	4,333
Total accumulated other comprehensive income	9,913	10,344
Share acquisition rights	243	166
Non-controlling interests	2,732	2,998
Total net assets	51,991	54,181
Total liabilities and net assets	87,705	94,560

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	50,225	54,122
Cost of sales	35,292	38,623
Gross profit	14,932	15,498
Selling, general and administrative expenses	12,326	12,462
Operating profit	2,606	3,035
Non-operating income		
Interest income	13	10
Dividend income	185	206
Other	261	236
Total non-operating income	460	454
Non-operating expenses		
Interest expenses	51	56
Compensation expenses	83	23
Provision for product warranties	103	40
Other	94	86
Total non-operating expenses	332	207
Ordinary profit	2,734	3,283
Extraordinary income		
Gain on sale of non-current assets	105	2
Gain on sale of investment securities	82	8
Total extraordinary income	188	10
Extraordinary losses		
Loss on disposal of non-current assets	94	42
Impairment losses	0	71
Other	-	24
Total extraordinary losses	95	138
Profit before income taxes	2,828	3,154
Income taxes - current	408	524
Income taxes - deferred	583	323
Total income taxes	991	847
Profit	1,836	2,307
Profit attributable to non-controlling interests	166	122
Profit attributable to owners of parent	1,670	2,185

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	1,836	2,307
Other comprehensive income		
Valuation difference on available-for-sale securities	41	(200)
Foreign currency translation adjustment	188	1,577
Remeasurements of defined benefit plans, net of tax	(607)	(672)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(377)	704
Comprehensive income	1,458	3,011
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,353	2,615
Comprehensive income attributable to non-controlling interests	105	395

(3) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

Not applicable.

(Note when there is a significant change in the amount of shareholders' equity)

The Company has disposed of 22,455 of its own treasury shares as restricted stock compensation, based on the resolution passed at the Board of Directors meeting held on June 29, 2022. The Company also disposed of 79,400 treasury shares through the exercise of employee share options. As a result, during the first nine months of the fiscal year ending March 31, 2023, treasury shares decreased by ¥117 million to ¥1,465 million at the end of the third quarter of the fiscal year ending March 31, 2023.

(Changes in important subsidiaries during the period)

During the first quarter of the fiscal year ending March 31, 2023, Nitto Chemical Co., Ltd. and BO Chemical Co., Ltd., consolidated subsidiaries of the Company, conducted an absorption-type merger on April 1, 2022, with Nitto Chemical Co., Ltd. as the surviving company and BO Chemical Co., Ltd. as the dissolving company, and the Company excluded the dissolved company BO Chemical Co., Ltd. from the scope of consolidation.

(Segment information, etc.)

[Segment information]

I First nine months of the fiscal year ended March 31, 2022 (April 1, 2021 to December 31, 2021)

1. Information on net sales and the amount of profit or loss by reported segment

(Millions of yen)

	Reportable segments				
	Domestic coatings	Overseas coatings	Lighting	Fluorescent color materials	Total
Net sales					
Net sales to external customers	37,445	5,132	5,582	912	49,071
Intersegment internal net sales or transfers	782	–	43	65	891
Total	38,227	5,132	5,626	977	49,963
Segment profit	1,696	259	363	31	2,350

	Other ¹	Total	Amount of adjustment ²	Quarterly consolidated income statement ³
Net sales				
Net sales to external customers	1,153	50,225	–	50,225
Intersegment internal net sales or transfers	1,804	2,695	(2,695)	–
Total	2,958	52,921	(2,695)	50,225
Segment profit	107	2,458	147	2,606

- (Notes) 1. "Other" refers to business segments not included in the reportable segments, such as the painting business and logistics business.
2. The adjustment of segment profit of ¥147 million refers to the elimination of intersegment transactions.
3. Segment profit is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information on impairment losses or goodwill, etc. of non-current assets for each reported segment

During the first nine months of the fiscal year ending March 31, 2023, there was no recognition of significant impairment losses on non-current assets, no significant fluctuations in the amount of goodwill, and no recognition of significant gain on bargain purchase.

II First nine months of the fiscal year ending March 31, 2023 (April 1, 2022 to December 31, 2022)

1. Information on net sales and the amount of profit or loss by reported segment

(Millions of yen)

	Reportable segments				
	Domestic coatings	Overseas coatings	Lighting	Fluorescent color materials	Total
Net sales					
Net sales to external customers	39,896	5,917	6,083	860	52,757
Intersegment internal net sales or transfers	907	5	54	81	1,049
Total	40,804	5,923	6,137	941	53,807
Segment profit	1,601	241	874	57	2,775

	Other ¹	Total	Amount of adjustment ²	Quarterly consolidated income statement ³
Net sales				
Net sales to external customers	1,364	54,122	–	54,122
Intersegment internal net sales or transfers	1,787	2,837	(2,837)	–
Total	3,152	56,959	(2,837)	54,122
Segment profit	104	2,880	155	3,035

- (Notes) 1. “Other” refers to business segments not included in the reportable segments, such as the painting business and logistics business.
2. The adjustment of segment profit of ¥155 million refers to the elimination of intersegment transactions.
3. Segment profit is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information on impairment losses or goodwill, etc. of non-current assets for each reported segment

The amount of impairment losses on non-current assets for each segment during the period under review was ¥71 million for “Domestic coatings.”

In addition, there is no significant fluctuation in the amount of goodwill or recognition of significant gain on bargain purchase.

(Significant subsequent events)

Not applicable.