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November 9, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (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: November 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(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	%
Six months ended								
September 30, 2023	36,371	4.3	2,715	53.1	2,961	45.8	1,956	47.8
September 30, 2022	34,855	6.2	1,773	1.6	2,031	15.9	1,323	43.7

Note: Comprehensive income For the six months ended September 30, 2023: ¥3,609 million [85.6%]
 For the six months ended September 30, 2022: ¥1,945 million [69.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	68.78	68.38
September 30, 2022	46.68	46.29

(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
September 30, 2023	97,384	57,429	56.1	1,921.30
March 31, 2023	92,805	55,210	56.1	1,829.75

Reference: Equity

As of September 30, 2023: ¥54,672 million
 As of March 31, 2023: ¥52,033 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, 2023	–	0.00	–	25.00	25.00
Fiscal year ending March 31, 2024	–	0.00			
Fiscal year ending March 31, 2024 (Forecast)			–	30.00	30.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	75,000	3.0	5,000	26.7	5,200	20.5	3,400	(1.7)	119.56

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 September 30, 2023	29,710,678 shares
As of March 31, 2023	29,710,678 shares

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

As of September 30, 2023	1,254,811 shares
As of March 31, 2023	1,273,139 shares

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

Six months ended September 30, 2023	28,444,748 shares
Six months ended September 30, 2022	28,355,140 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 six months of the fiscal year ending March 31, 2024, the Japanese economy was on a gradual recovery trend due to factors such as the recovery of consumer spending and inbound spending because of the lifting of restrictions on movement. On the other hand, the outlook remained uncertain due to the impact of global fiscal tightening, rising energy prices, the prolonged situation in Russia and Ukraine and other factors.

As for the Group's business results, net sales were ¥36,371 million (a 4.3% year-on-year increase) thanks to a strong performance of the lighting business. On the profit side, improved profit margins due to the permeation of price adjustments in the domestic coatings business and the lighting business resulted in an operating profit of ¥2,715 million (a ¥941 million year-on-year increase), ordinary profit of ¥2,961 million (a ¥929 million year-on-year increase), and profit attributable to owners of parent of ¥1,956 million (a ¥633 million year-on-year increase).

The business results by segment were as follows.

[Domestic coatings business]

In the general-use sector, although market conditions were unable to reach full-scale recovery, net sales increased year on year due to the price adjustments carried out in the previous fiscal year and expanded sales of high value-added products. In the industrial-use sector, although demand for coatings for building materials decreased significantly due to the decrease of the number of new housing constructions, net sales increased year on year due to the partial recovery in market conditions and price adjustments.

Net sales in this segment were lower year on year due to net sales decreasing by approximately ¥1.6 billion because of the dissolution of the joint venture with the powder producing subsidiary that was implemented at the beginning of the fiscal year. However, operating profit increased significantly year on year as the impact on profits was immaterial.

As a result, net sales were ¥25,935 million (a 0.3% year-on-year decrease), and operating profit was ¥1,352 million (a ¥522 million year-on-year increase).

[Overseas coatings business]

In Southeast Asia, net sales increased year on year as demand for coatings to automobile-related parts recovered in Thailand and Indonesia, and demand for coatings for exterior building materials increased in Singapore and Malaysia. In Mexico, net sales increased year on year as demand increased due to the recovery of automobile production volume. In China, net sales increased year on year because, while sales were sluggish due to a decrease in demand as a result of the impact of decreased production by Japanese automobile manufacturers, there had been a significant decrease in demand due to the impact of lockdowns during the same period in the previous fiscal year.

In this segment, net sales and operating profit were higher year on year due to the effect of foreign currency translation resulting from the yen's depreciation, in addition to the trend of recovering demand.

As a result, net sales were ¥4,239 million (a 19.7% year-on-year increase), and operating profit was ¥242 million (a ¥53 million year-on-year increase).

[Lighting business]

In the commercial LED lighting field, demand continued to increase from the previous fiscal year, primarily for commercial facilities and construction, against the backdrop of factors such as the recovery of inbound tourist traffic and redevelopment of the Tokyo metropolitan area. In the UV

lamp field, demand for UV disinfection applications increased, primarily for semiconductor-related markets. Furthermore, net sales and operating profit in this segment increased year on year due to the progression of price adjustments.

As a result, net sales were ¥4,678 million (a 19.7% year-on-year increase), and operating profit was ¥914 million (a ¥396 million year-on-year increase).

[Fluorescent color material business]

Net sales in the segment increased year on year because, while there was a decrease in demand in the pigments segment due to the economic downturn in the EU region and changing in trends in the fashion and stationery industries, demand for film products and fluorescent-related materials increased in the processed products segment. Operating profit was lower year on year due to the decrease of sales in the pigments segment and the increase of various costs.

As a result, net sales were ¥617 million (a 10.7% year-on-year increase), and operating profit was ¥14 million (an ¥18 million year-on-year decrease).

[Other businesses]

In the logistics business, transportation sales and storage sales fell year on year due to a decrease in the volume of cargo handled. In the painting business, net sales increased year on year as market conditions recovered gradually.

As a result, net sales were ¥899 million (an 8.5% year-on-year increase), and operating profit was ¥45 million (an ¥18 million year-on-year decrease).

(2) Explanation of financial position

Total assets at the end of the second quarter of the fiscal year ending March 31, 2024 were ¥97,384 million, an increase of ¥4,579 million from the end of the previous fiscal year. Current assets totaled ¥40,121 million, an increase of ¥1,517 million from the end of the previous consolidated fiscal year, mainly due to an increase in cash and deposits of ¥585 million, a decrease in notes and accounts receivable - trade, and contract assets of ¥608 million, an increase in electronically recorded monetary claims - operating of ¥1,081 million an increase in inventories of ¥196 million, and other increases of ¥265 million. Non-current assets totaled ¥57,262 million, an increase of ¥3,061 million from the end of the previous fiscal year, due to an increase in property, plant and equipment of ¥927 million, an increase in intangible assets of ¥166 million, and an increase in investments and other assets of ¥1,968 million.

Liabilities totaled ¥39,954 million, an increase of ¥2,360 million from the end of the previous fiscal year. Current liabilities totaled ¥30,498 million, an increase of ¥2,257 million from the end of the previous fiscal year, mainly due to factors such as the ¥2,200 million increase in short-term borrowings and the ¥107 million increase in other liabilities. Non-current liabilities were ¥9,456 million, an increase from the end of the previous fiscal year of ¥102 million. The main factors in this were a decrease of long-term borrowings of ¥300 million, a decrease in lease liabilities of ¥145 million, and an increase in deferred tax liabilities of ¥605 million.

Net assets were ¥57,429 million, an increase of ¥2,219 million from the end of the previous fiscal year. The main reasons for this were an increase in retained earnings of ¥1,241 million, an increase in valuation difference on available-for-sale securities of ¥1,133 million, an increase in foreign currency translation adjustment of ¥675 million, a decrease in the remeasurements of defined benefit plans of ¥433 million, and a decrease in non-controlling interests of ¥419 million.

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

Regarding the consolidated earnings forecast for the fiscal year ending March 31, 2024, a special investigation committee is currently conducting an investigation into falsification of test data related to

internally established test standards and other inappropriate acts concerning JIS products manufactured by a consolidated subsidiary of the Company. Once decrease in sales of the JIS products, etc., or the facts become clear based on the results of the investigation, etc., the Group's financial position, operating results, and cash flows may be affected. However, the forecast announced on May 11, 2023 remains unchanged because it is difficult to reasonably estimate the amount of the impact at this time. In the event that it is necessary to revise the earnings forecast based on future trends in financial results, the Company will promptly disclose these revisions.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	6,864	7,449
Notes and accounts receivable - trade, and contract assets	14,121	13,513
Electronically recorded monetary claims - operating	5,171	6,253
Merchandise and finished goods	5,934	6,296
Work in process	997	957
Raw materials and supplies	4,209	4,084
Other	1,324	1,590
Allowance for doubtful accounts	(19)	(22)
Total current assets	38,604	40,121
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,145	23,657
Accumulated depreciation	(15,148)	(15,486)
Buildings and structures, net	7,996	8,171
Machinery, equipment and vehicles	24,164	24,217
Accumulated depreciation	(20,374)	(20,407)
Machinery, equipment and vehicles, net	3,790	3,810
Land	11,400	11,426
Leased assets	1,598	1,593
Accumulated depreciation	(964)	(1,073)
Leased assets, net	634	520
Construction in progress	144	1,067
Other	7,403	7,420
Accumulated depreciation	(5,822)	(5,944)
Other, net	1,580	1,476
Total property, plant and equipment	25,545	26,472
Intangible assets		
Leased assets	74	53
Other	370	558
Total intangible assets	445	611
Investments and other assets		
Investment securities	7,728	9,344
Deferred tax assets	1,909	1,874
Retirement benefit asset	18,061	18,466
Other	532	517
Allowance for doubtful accounts	(23)	(24)
Total investments and other assets	28,210	30,178
Total non-current assets	54,200	57,262
Total assets	92,805	97,384

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,270	17,340
Short-term borrowings	4,300	6,500
Lease liabilities	505	503
Income taxes payable	721	679
Provision for bonuses for directors (and other officers)	55	–
Provision for product warranties	215	194
Other	5,172	5,279
Total current liabilities	28,240	30,498
Non-current liabilities		
Long-term borrowings	700	400
Lease liabilities	672	526
Deferred tax liabilities	5,726	6,331
Deferred tax liabilities for land revaluation	1,189	1,189
Retirement benefit liability	1,016	941
Other	49	67
Total non-current liabilities	9,354	9,456
Total liabilities	37,594	39,954
Net assets		
Shareholders' equity		
Share capital	8,827	8,827
Capital surplus	2,440	2,440
Retained earnings	32,307	33,548
Treasury shares	(1,462)	(1,441)
Total shareholders' equity	42,112	43,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,359	4,493
Revaluation reserve for land	1,717	1,717
Foreign currency translation adjustment	790	1,466
Remeasurements of defined benefit plans	4,053	3,620
Total accumulated other comprehensive income	9,921	11,297
Share acquisition rights	164	164
Non-controlling interests	3,012	2,593
Total net assets	55,210	57,429
Total liabilities and net assets	92,805	97,384

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	34,855	36,371
Cost of sales	24,846	25,231
Gross profit	10,009	11,140
Selling, general and administrative expenses	8,235	8,424
Operating profit	1,773	2,715
Non-operating income		
Interest income	7	18
Dividend income	135	159
Foreign exchange gains	114	60
Other	127	100
Total non-operating income	383	338
Non-operating expenses		
Interest expenses	39	37
Other	86	56
Total non-operating expenses	126	93
Ordinary profit	2,031	2,961
Extraordinary income		
Gain on sale of investment securities	–	178
Total extraordinary income	–	178
Extraordinary losses		
Loss on disposal of non-current assets	33	58
Impairment losses	71	–
Other	24	–
Total extraordinary losses	128	58
Profit before income taxes	1,902	3,081
Income taxes - current	383	712
Income taxes - deferred	113	345
Total income taxes	497	1,057
Profit	1,405	2,024
Profit attributable to non-controlling interests	81	67
Profit attributable to owners of parent	1,323	1,956

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	1,405	2,024
Other comprehensive income		
Valuation difference on available-for-sale securities	(313)	1,133
Foreign currency translation adjustment	1,308	884
Remeasurements of defined benefit plans, net of tax	(455)	(433)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	539	1,585
Comprehensive income	1,945	3,609
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,584	3,332
Comprehensive income attributable to non-controlling interests	360	277

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,902	3,081
Depreciation	1,173	1,184
Increase (decrease) in provision for bonuses for directors (and other officers)	(56)	(55)
Increase/decrease in net defined benefit asset/liability	(1,071)	(1,001)
Increase (decrease) in provision for product warranties	(148)	(20)
Increase (decrease) in provision for environmental measures	(8)	–
Increase (decrease) in allowance for doubtful accounts	(2)	4
Interest and dividend income	(142)	(178)
Interest expenses	39	37
Foreign exchange losses (gains)	(59)	(55)
Share of loss (profit) of entities accounted for using equity method	(2)	3
Loss (gain) on disposal of non-current assets	33	58
Impairment losses	71	–
Loss (gain) on sale of investment securities	–	(178)
Decrease (increase) in trade receivables	(1,615)	(273)
Decrease (increase) in inventories	(835)	(235)
Increase (decrease) in trade payables	200	(261)
Other, net	(202)	(131)
Subtotal	(724)	1,976
Interest and dividends received	142	178
Interest paid	(39)	(36)
Payments of business restructuring expenses	(24)	–
Income taxes refund	183	86
Income taxes paid	(361)	(843)
Net cash provided by (used in) operating activities	(823)	1,361
Cash flows from investing activities		
Payments into time deposits	(97)	(105)
Proceeds from withdrawal of time deposits	104	105
Purchase of property, plant and equipment	(2,101)	(1,860)
Proceeds from sale of property, plant and equipment	126	2
Payments for retirement of property, plant and equipment	(8)	(46)
Purchase of intangible assets	(20)	(220)
Purchase of investment securities	(5)	(5)
Proceeds from sale of investment securities	–	198
Proceeds from sale of businesses	–	349
Other, net	4	9
Net cash provided by (used in) investing activities	(1,998)	(1,574)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,200	2,200
Repayments of long-term borrowings	(300)	(300)
Repayments of lease liabilities	(181)	(177)
Dividends paid	(708)	(710)
Dividends paid to non-controlling interests	(129)	(95)
Purchase of treasury shares	(0)	–
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(600)
Other, net	0	–
Net cash provided by (used in) financing activities	1,881	315
Effect of exchange rate change on cash and cash equivalents	598	446
Net increase (decrease) in cash and cash equivalents	(342)	549
Cash and cash equivalents at beginning of period	6,479	6,340
Cash and cash equivalents at end of period	6,136	6,889

(4) 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 18,328 of its own treasury shares as restricted stock compensation, based on the resolution passed at the Board of Directors meeting held on June 29, 2023. As a result, during the first six months of the fiscal year ending March 31, 2024, treasury shares decreased by ¥21 million to ¥1,441 million at the end of the second quarter of the fiscal year ending March 31, 2024.

(Changes in important subsidiaries during the period)

During the first quarter of the fiscal year ending March 31, 2024, for Japan Powder Coatings Manufacturing Co., Ltd., which was established in January 2015 as a joint venture for the production of powder coatings between the Company and KUBOKO PAINT CO., Ltd., a consolidated subsidiary of Kansai Paint Co., Ltd., the joint venture was dissolved on April 1, 2023. Furthermore, Japan Powder Coatings Manufacturing Co., Ltd. became a wholly-owned subsidiary of the Company as the Company acquired all shares held by KUBOKO PAINT CO., Ltd. on April 27, 2023.

(Segment information, etc.)

[Segment information]

I First six months of the fiscal year ended March 31, 2023 (April 1, 2022 to September 30, 2022)

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

(Millions of yen)

	Reportable segments				
	Domestic coatings	Overseas coatings	Lighting	Fluorescent color materials	Total
Net sales					
Net sales to external customers	26,017	3,543	3,907	558	34,026
Intersegment internal net sales or transfers	536	5	26	50	619
Total	26,554	3,548	3,933	608	34,645
Segment profit	829	188	517	32	1,569

	Other ¹	Total	Amount of adjustment ²	Quarterly consolidated income statement ³
Net sales				
Net sales to external customers	829	34,855	–	34,855
Intersegment internal net sales or transfers	1,188	1,807	(1,807)	–
Total	2,017	36,662	(1,807)	34,855
Segment profit	64	1,633	140	1,773

(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 ¥140 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 reportable segment
(Significant impairment loss on non-current assets)

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.

II First six months of the fiscal year ending March 31, 2024 (April 1, 2023 to September 30, 2023)

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

(Millions of yen)

	Reportable segments				
	Domestic coatings	Overseas coatings	Lighting	Fluorescent color materials	Total
Net sales					
Net sales to external customers	25,935	4,239	4,678	617	35,471
Intersegment internal net sales or transfers	527	–	19	47	594
Total	26,462	4,239	4,698	665	36,065
Segment profit	1,352	242	914	14	2,523

	Other ¹	Total	Amount of adjustment ²	Quarterly consolidated income statement ³
Net sales				
Net sales to external customers	899	36,371	–	36,371
Intersegment internal net sales or transfers	1,152	1,746	(1,746)	–
Total	2,052	38,117	(1,746)	36,371
Segment profit	45	2,568	146	2,715

- (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 ¥146 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 reportable segment

During the first six months of the fiscal year ending March 31, 2024, 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.

(Significant subsequent events)

Not applicable.