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February 8, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 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: February 9, 2024
 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, 2023 (from April 1, 2023 to December 31, 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	%
Nine months ended								
December 31, 2023	54,782	1.2	3,931	29.5	4,271	30.1	2,728	24.9
December 31, 2022	54,122	7.8	3,035	16.5	3,283	20.0	2,185	30.8

Note: Comprehensive income For the nine months ended December 31, 2023: ¥4,365 million [45.0%]
 For the nine months ended December 31, 2022: ¥3,011 million [106.4%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	95.92	95.36
December 31, 2022	76.99	76.41

(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, 2023	98,028	58,185	56.4	1,944.60
March 31, 2023	92,805	55,210	56.1	1,829.75

Reference: Equity
 As of December 31, 2023: ¥55,335 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 December 31, 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 December 31, 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)

Nine months ended December 31, 2023	28,448,468 shares
Nine months ended December 31, 2022	28,381,717 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 4 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, 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. However, the outlook remained uncertain due to factors such as the rise in energy prices and raw material prices triggered by the prolonged situation in Ukraine and the unstable political situation in the Middle East, as well as the depreciation of the yen.

As for the Group's business results, net sales were ¥54,782 million (a 1.2% year-on-year increase) thanks to a strong performance of the lighting business. On the profit side, despite the impact of the prolongation of high raw material prices, penetration in price adjustments resulted in an operating profit of ¥3,931 million (an ¥895 million year-on-year increase), ordinary profit of ¥4,271 million (a ¥988 million year-on-year increase), and profit attributable to owners of parent of ¥2,728 million (a ¥543 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. On the other hand, sales of some JIS products have declined due to the issue of the inappropriate act. 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 the penetration of price adjustments.

In this segment, net sales were lower year on year due to net sales decreasing by approximately ¥2.6 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 year on year as the impact on profits was immaterial.

As a result, net sales were ¥39,019 million (a 2.2% year-on-year decrease), and operating profit was ¥1,979 million (a ¥378 million year-on-year increase).

[Overseas coatings business]

In Southeast Asia, net sales increased year on year, although demand for coatings for exterior building materials in Singapore and Malaysia slowed from the middle of the period due to the economic downturn in the surrounding areas, demand for coatings for automobile-related parts recovered in Thailand and Indonesia. In Mexico, net sales increased year on year as demand increased due to the recovery of automobile production volume. In China, net sales decreased year on year due to demand decrease as a result of the impact of decreased production by Japanese automobile manufacturers.

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 recovering trend in the demand.

As a result, net sales were ¥6,416 million (an 8.4% year-on-year increase), and operating profit was ¥252 million (a ¥10 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 increased year on year due to the progression of price adjustments.

As a result, net sales were ¥6,987 million (a 14.9% year-on-year increase), and operating profit was ¥1,364 million (a ¥489 million year-on-year increase).

[Fluorescent color material business]

Net sales in the segment increased year on year as there was a decrease in demand in the pigments segment due to the downturn in the economic situation in the EU region and changing trends in the fashion and stationery industries, while demand in other areas increased due to the acquisition of overseas properties. 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 ¥895 million (a 4.2% year-on-year increase), and operating profit was ¥20 million (a ¥36 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 ¥1,463 million (a 7.3% year-on-year increase), and operating income was ¥110 million (a ¥5 million year-on-year increase).

(2) Explanation of financial position

Total assets at the end of the third quarter of the fiscal year ending March 31, 2024 were ¥98,028 million, an increase of ¥5,223 million from the end of the previous fiscal year. Current assets totaled ¥40,709 million, an increase of ¥2,105 million from the end of the previous consolidated fiscal year, mainly due to an increase in cash and deposits of ¥926 million, a decrease in notes and accounts receivable - trade, and contract assets of ¥1,736 million, an increase in electronically recorded monetary claims - operating of ¥1,772 million an increase in inventories of ¥674 million, and other increases of ¥472 million. Non-current assets totaled ¥57,319 million, an increase of ¥3,118 million from the end of the previous fiscal year, due to an increase in property, plant and equipment of ¥799 million, an increase in intangible assets of ¥380 million, and an increase in investments and other assets of ¥1,938 million.

Liabilities totaled ¥39,843 million, an increase of ¥2,248 million from the end of the previous fiscal year. Current liabilities totaled ¥30,214 million, an increase of ¥1,973 million from the end of the previous fiscal year, mainly due to an increase of ¥266 million in notes and accounts payable - trade, an increase in short-term borrowings of ¥2,400 million, a decrease in income taxes payable of ¥304 million, and a decrease in other of ¥267 million. Non-current liabilities were ¥9,629 million, an increase from the end of the previous fiscal year of ¥275 million. The main factors in this were a decrease of long-term borrowings of ¥300 million, a decrease in lease liabilities of ¥143 million, and an increase in deferred tax liabilities of ¥752 million.

Net assets were ¥58,185 million, an increase of ¥2,974 million from the end of the previous fiscal year. The main reasons for this were an increase in retained earnings of ¥2,013 million, an increase in valuation difference on available-for-sale securities of ¥995 million, an increase in foreign currency translation adjustment of ¥920 million, a decrease in the remeasurements of defined benefit plans of ¥649 million, and a decrease in non-controlling interests of ¥326 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 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 December 31, 2023
Assets		
Current assets		
Cash and deposits	6,864	7,791
Notes and accounts receivable - trade, and contract assets	14,121	12,384
Electronically recorded monetary claims - operating	5,171	6,943
Merchandise and finished goods	5,934	6,548
Work in process	997	958
Raw materials and supplies	4,209	4,308
Other	1,324	1,796
Allowance for doubtful accounts	(19)	(22)
Total current assets	38,604	40,709
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,145	23,663
Accumulated depreciation	(15,148)	(15,577)
Buildings and structures, net	7,996	8,086
Machinery, equipment and vehicles	24,164	24,376
Accumulated depreciation	(20,374)	(20,588)
Machinery, equipment and vehicles, net	3,790	3,787
Land	11,400	11,430
Leased assets	1,598	1,589
Accumulated depreciation	(964)	(1,125)
Leased assets, net	634	463
Construction in progress	144	1,025
Other	7,403	7,489
Accumulated depreciation	(5,822)	(5,938)
Other, net	1,580	1,550
Total property, plant and equipment	25,545	26,345
Intangible assets		
Leased assets	74	42
Other	370	782
Total intangible assets	445	825
Investments and other assets		
Investment securities	7,728	9,148
Deferred tax assets	1,909	1,811
Retirement benefit asset	18,061	18,689
Other	532	523
Allowance for doubtful accounts	(23)	(24)
Total investments and other assets	28,210	30,148
Total non-current assets	54,200	57,319
Total assets	92,805	98,028

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,270	17,537
Short-term borrowings	4,300	6,700
Lease liabilities	505	477
Income taxes payable	721	416
Provision for bonuses for directors (and other officers)	55	–
Provision for product warranties	215	178
Other	5,172	4,904
Total current liabilities	28,240	30,214
Non-current liabilities		
Long-term borrowings	700	400
Lease liabilities	672	528
Deferred tax liabilities	5,726	6,478
Deferred tax liabilities for land revaluation	1,189	1,189
Retirement benefit liability	1,016	966
Other	49	66
Total non-current liabilities	9,354	9,629
Total liabilities	37,594	39,843
Net assets		
Shareholders' equity		
Share capital	8,827	8,827
Capital surplus	2,440	2,440
Retained earnings	32,307	34,321
Treasury shares	(1,462)	(1,441)
Total shareholders' equity	42,112	44,147
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,359	4,355
Revaluation reserve for land	1,717	1,717
Foreign currency translation adjustment	790	1,711
Remeasurements of defined benefit plans	4,053	3,403
Total accumulated other comprehensive income	9,921	11,188
Share acquisition rights	164	164
Non-controlling interests	3,012	2,685
Total net assets	55,210	58,185
Total liabilities and net assets	92,805	98,028

(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, 2022	Nine months ended December 31, 2023
Net sales	54,122	54,782
Cost of sales	38,623	38,123
Gross profit	15,498	16,659
Selling, general and administrative expenses	12,462	12,727
Operating profit	3,035	3,931
Non-operating income		
Interest income	10	34
Dividend income	206	249
Other	236	192
Total non-operating income	454	475
Non-operating expenses		
Interest expenses	56	56
Other	150	80
Total non-operating expenses	207	136
Ordinary profit	3,283	4,271
Extraordinary income		
Gain on sale of investment securities	8	178
Other	2	-
Total extraordinary income	10	178
Extraordinary losses		
Loss on disposal of non-current assets	42	75
Impairment losses	71	0
Other	24	-
Total extraordinary losses	138	75
Profit before income taxes	3,154	4,374
Income taxes - current	524	792
Income taxes - deferred	323	711
Total income taxes	847	1,503
Profit	2,307	2,871
Profit attributable to non-controlling interests	122	142
Profit attributable to owners of parent	2,185	2,728

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	2,307	2,871
Other comprehensive income		
Valuation difference on available-for-sale securities	(200)	995
Foreign currency translation adjustment	1,577	1,147
Remeasurements of defined benefit plans, net of tax	(672)	(649)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	704	1,493
Comprehensive income	3,011	4,365
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,615	3,995
Comprehensive income attributable to non-controlling interests	395	369

(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 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 nine months of the fiscal year ending March 31, 2024, treasury shares decreased by ¥21 million to ¥1,441 million at the end of the third 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 nine months of the fiscal year ended March 31, 2023 (April 1, 2022 to December 31, 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	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 reportable 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.

II First nine months of the fiscal year ending March 31, 2024 (April 1, 2023 to December 31, 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	39,019	6,416	6,987	895	53,319
Intersegment internal net sales or transfers	801	0	29	71	902
Total	39,821	6,417	7,016	967	54,221
Segment profit	1,979	252	1,364	20	3,617

	Other ¹	Total	Amount of adjustment ²	Quarterly consolidated income statement ³
Net sales				
Net sales to external customers	1,463	54,782	–	54,782
Intersegment internal net sales or transfers	1,762	2,665	(2,665)	–
Total	3,225	57,447	(2,665)	54,782
Segment profit	110	3,727	203	3,931

- (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 ¥203 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 nine 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.