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August 8, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: Dai Nippon Toryo Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4611
 URL: <https://www.dnt.co.jp/english/>
 Representative: Takayuki Sato, Representative Director and President
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(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	%
Three months ended June 30, 2024	17,483	(1.9)	1,091	(9.2)	1,382	1.4	1,162	27.7
June 30, 2023	17,814	4.2	1,201	71.0	1,362	47.8	910	53.1

Note: Comprehensive income For the three months ended June 30, 2024: ¥1,114 million [(44.5)%]
 For the three months ended June 30, 2023: ¥2,008 million [138.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	40.85	40.62
June 30, 2023	32.02	31.83

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2024	101,009	62,607	59.0	2,092.83
March 31, 2024	101,618	62,490	58.6	2,092.10

Reference: Equity
 As of June 30, 2024: ¥59,570 million
 As of March 31, 2024: ¥59,550 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, 2024	—	0.00	—	35.00	35.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		0.00	—	40.00	40.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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
Six months ending September 30, 2024 (Cumulative)	36,000	(1.0)	1,900	(30.0)	2,050	(30.8)	1,800	(8.0)	63.24
Fiscal year ending March 31, 2025	74,000	2.9	4,250	(13.3)	4,500	(15.7)	3,800	(17.4)	133.50

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

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: Yes

Excluded: 2 companies (Japan Powder Coatings Manufacturing Co., Ltd.
and DNT (Shanghai) Co., Ltd.)

Note: For details, see “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes on quarterly consolidated financial statements (Significant changes in the scope of consolidation during the period)” on page 8 of the attached materials.

- (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 June 30, 2024	29,710,678 shares
As of March 31, 2024	29,710,678 shares

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

As of June 30, 2024	1,246,453 shares
As of March 31, 2024	1,246,411 shares

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

Three months ended June 30, 2024	28,464,245 shares
Three months ended June 30, 2023	28,437,539 shares

- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

- * 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. Summary of Business Results, Etc., (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. Summary of Business Results, Etc.

(1) Summary of business results for current period

In the first three months of the fiscal year ending March 31, 2025, the Japanese economy was on a gradual recovery trend, backed by firm corporate earnings and expanding demand from inbound tourism. On the other hand, due to the impact of soaring resource prices and rising prices caused by the prolonged yen depreciation, the economic outlook is expected to remain uncertain.

In response to the inappropriate act related to some products, the Group has been working to regain the trust by promoting measures to prevent recurrence of such act and by ensuring thorough compliance. As for the business results, net sales were ¥17,483 million (a 1.9% year-on-year decrease) due to sluggish demand in the domestic coatings business as the business is still recovering from the issue of the inappropriate act. Operating profit was ¥1,091 million (a ¥110 million year-on-year decrease) due to a decrease in revenue, despite efforts to implement price adjustments and reduce losses in the China business. Ordinary profit was ¥1,382 million (a ¥19 million year-on-year increase) due to the recording of foreign exchange gains, and profit attributable to owners of parent was ¥1,162 million (a ¥252 million year-on-year increase).

The business results by segment were as follows.

[Domestic coatings business]

In the general-use sector, although the sales volume of some general-purpose products increased as market conditions recovered, overall net sales decreased year on year as the business is still recovering from the issue of the inappropriate act. In the industrial-use sector, net sales were only slightly higher year on year as there was continuing stagnant demand for coatings for building materials, despite a partial recovery in market conditions and progress in acquiring new orders in powder coatings.

As a result, net sales were ¥12,404 million (a 2.3% year-on-year decrease). Operating profit was ¥436 million (a ¥150 million year-on-year decrease) due to an increase in personnel expenses and other costs, despite efforts to implement price adjustments.

[Overseas coatings business]

In Southeast Asia, net sales decreased year on year due to decreases in automobile production volume and in demand for coatings for building materials. In Mexico, net sales increased year on year due to an increase in automobile production volume and the acquisition of new transactions. In China, net sales decreased year on year due to the continued impact of the slowdown among Japanese automobile manufacturers.

As a result, net sales were ¥1,965 million (a 7.6% year-on-year decrease). Operating profit was ¥75 million (a ¥29 million year-on-year decrease) due to a decrease in revenue, despite efforts to reduce losses in the China business.

[Lighting business]

In the commercial LED lighting field, net sales increased year on year due to firm demand, primarily for commercial facilities and accommodation facilities against the backdrop of strong demand from inbound tourism and urban redevelopment. In the UV lamp field, net sales decreased year on year due to demand for some products declined, despite a firm demand for UV disinfection applications. In the fluorescent lamp field, net sales increased year on year due to efforts to improve selling prices, despite a decline in demand caused by market contraction.

As a result, net sales were ¥2,366 million (a 5.0% year-on-year increase), and operating profit was ¥467 million (a ¥44 million year-on-year increase).

[Fluorescent color material business]

In the pigments segment, net sales increased year on year due to continued recovery in demand from the EU region. In the processed products segment, net sales decreased year on year due to demand for tape products declined, despite an increase in demand for safety applications.

As a result, net sales were ¥292 million (a 4.3% year-on-year increase). Operating profit was ¥13 million (a ¥6 million year-on-year increase) partly due to cost containment efforts.

[Other businesses]

In the logistics business, net sales increased year on year due to efforts to improve unit prices in response to various cost increases in the logistics industry. In the painting business, net sales increased year on year as orders for work were strong.

As a result, net sales were ¥454 million (a 0.7% year-on-year increase). Operating profit was ¥16 million (a ¥2 million year-on-year decrease) due to a sharp rise in construction costs.

(2) Summary of financial position for current period

Total assets at the end of the first quarter of the fiscal year ending March 31, 2025 were ¥101,009 million, a decrease of ¥608 million from the end of the previous fiscal year. Current assets totaled ¥40,136 million, a decrease of ¥62 million from the end of the previous fiscal year, mainly due to an increase in cash and deposits of ¥448 million, a decrease in notes and accounts receivable - trade, and contract assets of ¥375 million, a decrease in electronically recorded monetary claims - operating of ¥687 million, an increase in inventories of ¥419 million, and an increase in other of ¥133 million. Non-current assets totaled ¥60,873 million, a decrease of ¥546 million from the end of the previous fiscal year, mainly due to a decrease in investments and other assets of ¥446 million.

Liabilities totaled ¥38,402 million, a decrease of ¥725 million from the end of the previous fiscal year. Current liabilities totaled ¥28,095 million, a decrease of ¥597 million from the end of the previous fiscal year, mainly due to a decrease in notes and accounts payable - trade of ¥321 million, an increase in short-term borrowings of ¥800 million, a decrease in income taxes payable of ¥700 million, and a decrease in other of ¥284 million. Non-current liabilities were ¥10,306 million, a decrease of ¥128 million from the end of the previous fiscal year.

Net assets were ¥62,607 million, an increase of ¥116 million from the end of the previous fiscal year. The main reasons for this were an increase in retained earnings of ¥166 million, a decrease in valuation difference on available-for-sale securities of ¥300 million, an increase in foreign currency translation adjustment of ¥374 million, and a decrease in remeasurements of defined benefit plans of ¥219 million.

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

The consolidated earnings forecasts for the first six months of the fiscal year ending March 31, 2025, and the full year are unchanged from the forecasts provided in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024” announced on May 10, 2024.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	8,429	8,877
Notes and accounts receivable - trade, and contract assets	12,137	11,762
Electronically recorded monetary claims - operating	6,701	6,014
Merchandise and finished goods	6,262	6,314
Work in process	991	1,027
Raw materials and supplies	4,038	4,370
Other	1,649	1,783
Allowance for doubtful accounts	(12)	(14)
Total current assets	40,198	40,136
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,509	23,441
Accumulated depreciation	(15,686)	(15,685)
Buildings and structures, net	7,823	7,755
Machinery, equipment and vehicles	24,302	24,225
Accumulated depreciation	(20,668)	(20,702)
Machinery, equipment and vehicles, net	3,633	3,523
Land	11,100	11,116
Leased assets	1,592	1,580
Accumulated depreciation	(1,183)	(1,226)
Leased assets, net	408	354
Construction in progress	1,766	1,906
Other	7,612	7,730
Accumulated depreciation	(6,022)	(6,149)
Other, net	1,589	1,580
Total property, plant and equipment	26,321	26,236
Intangible assets		
Leased assets	32	24
Other	865	858
Total intangible assets	898	882
Investments and other assets		
Investment securities	10,216	9,707
Deferred tax assets	1,549	1,412
Retirement benefit asset	21,798	22,031
Other	659	625
Allowance for doubtful accounts	(24)	(24)
Total investments and other assets	34,200	33,753
Total non-current assets	61,419	60,873
Total assets	101,618	101,009

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,651	16,329
Short-term borrowings	5,100	5,900
Lease liabilities	452	433
Income taxes payable	959	259
Provision for bonuses for directors (and other officers)	58	—
Provision for product warranties	164	150
Other	5,306	5,022
Total current liabilities	28,693	28,095
Non-current liabilities		
Lease liabilities	544	494
Deferred tax liabilities	7,652	7,558
Deferred tax liabilities for land revaluation	1,189	1,189
Retirement benefit liability	982	1,001
Other	66	62
Total non-current liabilities	10,434	10,306
Total liabilities	39,128	38,402
Net assets		
Shareholders' equity		
Share capital	8,827	8,827
Capital surplus	2,440	2,440
Retained earnings	36,191	36,357
Treasury shares	(1,431)	(1,431)
Total shareholders' equity	46,026	46,193
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,279	4,978
Revaluation reserve for land	1,717	1,717
Foreign currency translation adjustment	1,346	1,720
Remeasurements of defined benefit plans	5,179	4,960
Total accumulated other comprehensive income	13,523	13,377
Share acquisition rights	155	155
Non-controlling interests	2,784	2,880
Total net assets	62,490	62,607
Total liabilities and net assets	101,618	101,009

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

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	17,814	17,483
Cost of sales	12,342	12,082
Gross profit	5,471	5,400
Selling, general and administrative expenses	4,269	4,309
Operating profit	1,201	1,091
Non-operating income		
Interest income	7	25
Dividend income	124	134
Foreign exchange gains	28	121
Other	50	64
Total non-operating income	210	346
Non-operating expenses		
Interest expenses	22	25
Other	26	30
Total non-operating expenses	48	55
Ordinary profit	1,362	1,382
Extraordinary income		
Gain on sale of investment securities	173	16
Gain on sale of shares of subsidiaries	—	271
Other	—	1
Total extraordinary income	173	289
Extraordinary losses		
Loss on disposal of non-current assets	4	10
Total extraordinary losses	4	10
Profit before income taxes	1,531	1,661
Income taxes - current	174	173
Income taxes - deferred	407	276
Total income taxes	582	449
Profit	949	1,211
Profit attributable to non-controlling interests	38	48
Profit attributable to owners of parent	910	1,162

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	949	1,211
Other comprehensive income		
Valuation difference on available-for-sale securities	988	(300)
Foreign currency translation adjustment	287	424
Remeasurements of defined benefit plans, net of tax	(216)	(219)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	1,059	(96)
Comprehensive income	2,008	1,114
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,888	1,017
Comprehensive income attributable to non-controlling interests	120	97

(3) Notes on quarterly consolidated financial statements

(Significant changes in the scope of consolidation during the period)

During the first quarter of the fiscal year ending March 31, 2025, Japan Powder Coatings Manufacturing Co., Ltd., a consolidated subsidiary of the Company, conducted an absorption-type merger on April 1, 2024, with the Company as the surviving company and Japan Powder Coatings Manufacturing Co., Ltd. as the dissolved company, and the Company excluded the dissolved company Japan Powder Coatings Manufacturing Co., Ltd. from the scope of consolidation.

In addition, DNT (Shanghai) Co., Ltd., a consolidated subsidiary, was excluded from the scope of consolidation because all shares were sold during the first quarter of the fiscal year ending March 31, 2025.

(Notes on segment information, etc.)

[Segment information]

I First three months of the fiscal year ended March 31, 2024 (April 1, 2023 to June 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	12,701	2,127	2,253	280	17,363
Intersegment internal net sales or transfers	280	—	16	24	321
Total	12,982	2,127	2,269	304	17,684
Segment profit	586	105	423	7	1,124

	Other ¹	Total	Amount of adjustment ²	Quarterly consolidated statement of income ³
Net sales				
Net sales to external customers	451	17,814	—	17,814
Intersegment internal net sales or transfers	574	895	(895)	—
Total	1,025	18,710	(895)	17,814
Segment profit	18	1,142	58	1,201

- (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 ¥58 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 three months of the fiscal year ended 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.

II First three months of the fiscal year ending March 31, 2025 (April 1, 2024 to June 30, 2024)

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	12,404	1,965	2,366	292	17,029
Intersegment internal net sales or transfers	375	3	0	22	401
Total	12,780	1,969	2,366	314	17,430
Segment profit	436	75	467	13	994

	Other ¹	Total	Amount of adjustment ²	Quarterly consolidated statement of income ³
Net sales				
Net sales to external customers	454	17,483	—	17,483
Intersegment internal net sales or transfers	581	983	(983)	—
Total	1,035	18,466	(983)	17,483
Segment profit	16	1,010	80	1,091

- (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 ¥80 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 three months of the fiscal year ending March 31, 2025, 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.

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

Not applicable.

(Notes on the premise of a going concern)

Not applicable.

(Notes on quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows has not been prepared for the three months ended June 30, 2024. Depreciation (including amortization related to intangible assets) for the first three months of the fiscal year, is as follows.

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	589	598

(Significant subsequent events)

Disposal of treasury shares as restricted stock compensation

At the Board of Directors meeting held on June 27, 2024, the Company resolved to dispose of its own treasury shares as restricted stock compensation, and the payment procedures were completed as follows on July 19, 2024.

1. Overview of disposal

(1) Payment due date	July 19, 2024
(2) Type and number of shares to be disposed	12,740 shares of the Company's common stock
(3) Disposal value	¥1,341 per share
(4) Total amount of disposal	¥17,084,340
(5) Planned disposal destination	Directors of the Company 6 persons 10,446 shares (Excludes Outside Directors) Executive Officers of the Company 4 persons 2,294 shares (Excludes those who concurrently serve as Directors)
(6) Other	The Company has submitted the securities notice for the disposal of treasury shares in accordance with the Financial Instruments and Exchange Act.

2. Purpose and reason for disposal

The purpose and reason for disposal of treasury shares as restricted stock compensation are to introduce the compensation plan for granting restricted stock to the Company's Directors (excluding Outside Directors) and Executive Officers (excluding those who concurrently serve as Directors) in order to provide an incentive to the Company's Directors (excluding Outside Directors) and Executive Officers (excluding those who concurrently serve as Directors) to sustainably improve its medium- to long-term business performance and corporate value as well as to further share the benefits and risks of stock price fluctuations with shareholders and increase their motivation to contribute to increases in the stock price more than ever.