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November 8, 2024

Consolidated Financial Results for the Six Months Ended September 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/>
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 Scheduled date to file semi-annual securities report: November 11, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of 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, 2024 (from April 1, 2024 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	36,135	(0.6)	2,524	(7.0)	2,764	(6.6)	2,716	38.8
September 30, 2023	36,371	4.3	2,715	53.1	2,961	45.8	1,956	47.8

Note: Comprehensive income For the six months ended September 30, 2024: ¥2,483 million [(31.2)%]
 For the six months ended September 30, 2023: ¥3,609 million [85.6%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	95.42	94.89
September 30, 2023	68.78	68.38

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	101,804	63,877	59.7
March 31, 2024	101,618	62,490	58.6

Reference: Equity
 As of September 30, 2024: ¥60,780 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	—	0.00			
Fiscal year ending March 31, 2025 (Forecast)			—	49.00	49.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

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
Fiscal year ending March 31, 2025	74,000	2.9	4,800	(2.1)	5,000	(6.3)	4,300	(6.5)	151.07

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

*** 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. Semi-annual Consolidated Financial Statements and Major Notes, (4) Notes on semi-annual consolidated financial statements (Significant changes in the scope of consolidation during the period)” on page 10 of the attached materials.

- (2) Adoption of accounting treatment specific to the preparation of semi-annual 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, 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 September 30, 2024	1,233,713 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)

Six months ended September 30, 2024	28,469,316 shares
Six months ended September 30, 2023	28,444,748 shares

- * Semi-annual financial results reports are exempt from 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. 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 six months of the fiscal year ending March 31, 2025, the Japanese economy as a whole lacked strength and showed only a moderate recovery, with housing market conditions and consumer spending remaining sluggish, although public investment and corporate capital investment showed signs of picking up. In addition, the economic outlook remains uncertain due to increasing geopolitical risks, such as the prolonged conflict in Ukraine and the worsening situation in the Middle East, as well as concerns about the future of the Chinese economy.

In response to the inappropriate act related to some of our products, the Group has continued to work 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 ¥36,135 million (a 0.6% year-on-year decrease) due to the ongoing recovery from a decrease in demand owing to the issue of the inappropriate act in the domestic coatings business and sluggish demand in the Southeast Asian market in the overseas coatings business. Operating profit was ¥2,524 million (a ¥191 million year-on-year decrease) due to a decrease in revenue in the domestic coatings business and overseas coatings business, and ordinary profit was ¥2,764 million (a ¥196 million year-on-year decrease). Profit attributable to owners of parent was ¥2,716 million (a ¥759 million year-on-year increase) due to recording a gain on sale of investment securities resulting from a reduction in cross-shareholdings.

The business results by segment were as follows.

[Domestic coatings business]

In the general-use field, although the pace of recovery from a decrease in demand owing to the issue of the inappropriate act has exceeded expectations, net sales decreased year on year as the business is still recovering. In the industrial-use field, 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 ¥25,602 million (a 1.3% year-on-year decrease). Operating profit was ¥1,128 million (a ¥223 million year-on-year decrease) due to an increase in personnel expenses and other expenses, 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 increased year on year due to the effect of foreign currency translation, although the impact of the slowdown among Japanese automobile manufacturers continued.

As a result, net sales were ¥4,121 million (a 2.8% year-on-year decrease). Operating profit was ¥154 million (an ¥88 million year-on-year decrease) due to the significant impact of the revenue decline despite efforts to reduce expenses 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, as well as due to progress in improving selling prices. 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 ¥4,933 million (a 5.4% year-on-year increase), and operating profit was ¥1,030 million (a ¥116 million year-on-year increase).

[Fluorescent color material business]

In the pigments field, net sales decreased year on year as demand from the EU region began to decline. In the processed products field, net sales increased year on year due to an increase in demand for coatings for safety applications.

As a result, net sales were ¥560 million (a 9.3% year-on-year decrease). Operating profit was ¥32 million (a ¥18 million year-on-year increase) 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 ¥917 million (a 1.9% year-on-year increase). Operating profit was ¥16 million (a ¥29 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 current period were ¥101,804 million, an increase of ¥186 million from the end of the previous fiscal year. Current assets totaled ¥40,526 million, an increase of ¥327 million from the end of the previous fiscal year, mainly due to an increase in cash and deposits of ¥1,673 million, a decrease in notes and accounts receivable - trade, and contract assets of ¥219 million, a decrease in electronically recorded monetary claims - operating of ¥1,204 million, and an increase in inventories of ¥117 million. Non-current assets totaled ¥61,278 million, a decrease of ¥141 million from the end of the previous fiscal year, due to an increase in property, plant and equipment of ¥928 million, an increase in intangible assets of ¥496 million, and a decrease in investments and other assets of ¥1,567 million.

Liabilities totaled ¥37,927 million, a decrease of ¥1,200 million from the end of the previous fiscal year. Current liabilities totaled ¥26,977 million, a decrease of ¥1,715 million from the end of the previous fiscal year, mainly due to a decrease in notes and accounts payable - trade of ¥845 million, a decrease in short-term borrowings of ¥1,000 million, a decrease in income taxes payable of ¥187 million, and an increase in other of ¥394 million. Non-current liabilities were ¥10,950 million, an increase of ¥515 million from the end of the previous fiscal year, mainly due to an increase in long-term borrowings of ¥1,000 million and a decrease in deferred tax liabilities of ¥405 million.

Net assets were ¥63,877 million, an increase of ¥1,386 million from the end of the previous fiscal year. The main reasons for this were an increase in retained earnings of ¥1,733 million, a decrease in valuation difference on available-for-sale securities of ¥1,184 million, an increase in foreign currency translation adjustment of ¥1,116 million, a decrease in remeasurements of defined benefit plans of ¥438 million, and an increase in non-controlling interests of ¥155 million.

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

The consolidated earnings forecast for the fiscal year ending March 31, 2025, announced on May 10, 2024, has been revised. For details, please refer to the “Notice Regarding Revisions to Earnings Forecast” released today.

2. Semi-annual Consolidated Financial Statements and Major Notes

(1) Semi-annual consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	8,429	10,103
Notes and accounts receivable - trade, and contract assets	12,137	11,918
Electronically recorded monetary claims - operating	6,701	5,497
Merchandise and finished goods	6,262	6,132
Work in process	991	1,021
Raw materials and supplies	4,038	4,256
Other	1,649	1,609
Allowance for doubtful accounts	(12)	(13)
Total current assets	40,198	40,526
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,509	23,674
Accumulated depreciation	(15,686)	(15,879)
Buildings and structures, net	7,823	7,794
Machinery, equipment and vehicles	24,302	24,790
Accumulated depreciation	(20,668)	(20,931)
Machinery, equipment and vehicles, net	3,633	3,858
Land	11,100	11,093
Leased assets	1,592	1,596
Accumulated depreciation	(1,183)	(1,293)
Leased assets, net	408	303
Construction in progress	1,766	2,622
Other	7,612	7,823
Accumulated depreciation	(6,022)	(6,246)
Other, net	1,589	1,577
Total property, plant and equipment	26,321	27,250
Intangible assets		
Leased assets	32	16
Other	865	1,378
Total intangible assets	898	1,394
Investments and other assets		
Investment securities	10,216	8,222
Deferred tax assets	1,549	1,527
Retirement benefit asset	21,798	22,299
Other	659	603
Allowance for doubtful accounts	(24)	(19)
Total investments and other assets	34,200	32,632
Total non-current assets	61,419	61,278
Total assets	101,618	101,804

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,651	15,805
Short-term borrowings	5,100	4,100
Lease liabilities	452	391
Income taxes payable	959	772
Provision for bonuses for directors (and other officers)	58	–
Provision for product warranties	164	207
Other	5,306	5,700
Total current liabilities	28,693	26,977
Non-current liabilities		
Long-term borrowings	–	1,000
Lease liabilities	544	472
Deferred tax liabilities	7,652	7,247
Deferred tax liabilities for land revaluation	1,189	1,181
Retirement benefit liability	982	1,005
Other	66	42
Total non-current liabilities	10,434	10,950
Total liabilities	39,128	37,927
Net assets		
Shareholders' equity		
Share capital	8,827	8,827
Capital surplus	2,440	2,442
Retained earnings	36,191	37,924
Treasury shares	(1,431)	(1,417)
Total shareholders' equity	46,026	47,777
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,279	4,094
Revaluation reserve for land	1,717	1,704
Foreign currency translation adjustment	1,346	2,463
Remeasurements of defined benefit plans	5,179	4,740
Total accumulated other comprehensive income	13,523	13,003
Share acquisition rights	155	155
Non-controlling interests	2,784	2,940
Total net assets	62,490	63,877
Total liabilities and net assets	101,618	101,804

(2) Semi-annual consolidated statement of income and consolidated statement of comprehensive income

Semi-annual consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	36,371	36,135
Cost of sales	25,231	24,985
Gross profit	11,140	11,149
Selling, general and administrative expenses	8,424	8,625
Operating profit	2,715	2,524
Non-operating income		
Interest income	18	59
Dividend income	159	171
Other	160	185
Total non-operating income	338	416
Non-operating expenses		
Interest expenses	37	41
Provision for product warranties	–	73
Other	56	60
Total non-operating expenses	93	175
Ordinary profit	2,961	2,764
Extraordinary income		
Gain on sale of investment securities	178	975
Gain on sale of shares of subsidiaries	–	274
Other	–	2
Total extraordinary income	178	1,252
Extraordinary losses		
Loss on disposal of non-current assets	58	77
Impairment losses	–	29
Total extraordinary losses	58	107
Profit before income taxes	3,081	3,910
Income taxes - current	712	751
Income taxes - deferred	345	325
Total income taxes	1,057	1,076
Profit	2,024	2,833
Profit attributable to non-controlling interests	67	117
Profit attributable to owners of parent	1,956	2,716

Semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	2,024	2,833
Other comprehensive income		
Valuation difference on available-for-sale securities	1,133	(1,184)
Foreign currency translation adjustment	884	1,273
Remeasurements of defined benefit plans, net of tax	(433)	(438)
Share of other comprehensive income of entities accounted for using equity method	0	–
Total other comprehensive income	1,585	(350)
Comprehensive income	3,609	2,483
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,332	2,210
Comprehensive income attributable to non-controlling interests	277	273

(3) Semi-annual consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	3,081	3,910
Depreciation	1,184	1,195
Increase (decrease) in provision for bonuses for directors (and other officers)	(55)	(58)
Increase/decrease in net defined benefit asset/liability	(1,001)	(1,109)
Increase (decrease) in provision for product warranties	(20)	42
Increase (decrease) in allowance for doubtful accounts	4	(4)
Interest and dividend income	(178)	(230)
Interest expenses	37	41
Share of loss (profit) of entities accounted for using equity method	3	1
Loss (gain) on disposal of non-current assets	58	77
Impairment losses	–	29
Loss (gain) on sale of investment securities	(178)	(975)
Loss (gain) on sale of shares of subsidiaries	–	(274)
Decrease (increase) in trade receivables	(273)	1,468
Decrease (increase) in inventories	(235)	(80)
Increase (decrease) in trade payables	(261)	(961)
Other, net	(187)	112
Subtotal	1,976	3,184
Interest and dividends received	178	230
Interest paid	(36)	(41)
Payments of loss related to quality	–	(54)
Income taxes refund	86	26
Income taxes paid	(843)	(915)
Net cash provided by (used in) operating activities	1,361	2,430
Cash flows from investing activities		
Payments into time deposits	(105)	(231)
Proceeds from withdrawal of time deposits	105	117
Purchase of property, plant and equipment	(1,860)	(1,419)
Proceeds from sale of property, plant and equipment	2	5
Payments for retirement of property, plant and equipment	(46)	(49)
Purchase of intangible assets	(220)	(80)
Purchase of investment securities	(5)	(4)
Proceeds from sale of investment securities	198	1,267
Proceeds from sale of businesses	349	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	529
Other, net	9	20
Net cash provided by (used in) investing activities	(1,574)	155

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,200	(700)
Proceeds from long-term borrowings	–	1,000
Repayments of long-term borrowings	(300)	(300)
Repayments of lease liabilities	(177)	(187)
Dividends paid	(710)	(996)
Dividends paid to non-controlling interests	(95)	(116)
Purchase of treasury shares	–	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(600)	–
Net cash provided by (used in) financing activities	315	(1,300)
Effect of exchange rate change on cash and cash equivalents	446	216
Net increase (decrease) in cash and cash equivalents	549	1,502
Cash and cash equivalents at beginning of period	6,340	7,867
Cash and cash equivalents at end of period	6,889	9,370

(4) Notes on semi-annual 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 12,740 of its own treasury shares as restricted stock compensation, based on the resolution passed at the Board of Directors meeting held on June 27, 2024. As a result, during the first six months of the fiscal year ending March 31, 2025, treasury shares decreased by ¥14 million to ¥1,417 million as of September 30, 2024.

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

During the first six months 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.

(Notes on segment information, etc.)**[Segment information]****I First six months of the fiscal year ended 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	Semi-annual consolidated statement of income 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 semi-annual 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 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 six months of the fiscal year ending March 31, 2025 (April 1, 2024 to September 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	25,602	4,121	4,933	560	35,217
Intersegment internal net sales or transfers	631	6	24	46	708
Total	26,233	4,128	4,957	606	35,926
Segment profit	1,128	154	1,030	32	2,346

	Other ¹	Total	Amount of adjustment ²	Semi-annual consolidated statement of income ³
Net sales				
Net sales to external customers	917	36,135	—	36,135
Intersegment internal net sales or transfers	1,186	1,895	(1,895)	—
Total	2,103	38,030	(1,895)	36,135
Segment profit	16	2,362	161	2,524

- (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 ¥161 million refers to the elimination of intersegment transactions.
3. Segment profit is adjusted to be consistent with operating profit shown on the semi-annual 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 ¥29 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.