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August 5, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4611
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 Scheduled date to file quarterly securities report: August 8, 2022
 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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2022	17,094	2.6	702	(28.0)	922	(18.8)	594	1.0
June 30, 2021	16,666	8.1	975	96.9	1,135	99.7	588	136.0

Note: Comprehensive income For the three months ended June 30, 2022: ¥841 million [36.2%]
 For the three months ended June 30, 2021: ¥618 million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	20.98	20.80
June 30, 2021	20.80	20.64

(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
June 30, 2022	90,284	52,125	54.2	1,727.18
March 31, 2022	87,705	51,991	55.9	1,730.00

Reference: Equity

As of June 30, 2022: ¥48,935 million
 As of March 31, 2022: ¥49,015 million

2. Cash dividends

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

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

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2022 (Cumulative)	34,100	3.9	1,250	(28.4)	1,370	(21.8)	750	(18.6)	26.47
Fiscal year ending March 31, 2023	70,800	5.8	3,300	3.7	3,550	2.4	2,000	(1.6)	70.59

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 June 30, 2022	29,710,678 shares
As of March 31, 2022	29,710,678 shares

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

As of June 30, 2022	1,377,947 shares
As of March 31, 2022	1,377,931 shares

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

Three months ended June 30, 2022	28,332,737 shares
Three months ended June 30, 2021	28,305,339 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 three months of the fiscal year ending March 31, 2023, the Japanese economy showed signs of recovery as economic activities began to normalize, however, the situation still remains unpredictable as the rapid spread of infection by a new mutant strain of the novel coronavirus infection is advancing. In addition, uncertainty about the outlook is increasing due to the global supply chain disruption caused by the prolonged situation in Ukraine, the rise in raw material prices, and the downside risks to the economy due to the rapid depreciation of the yen.

As for the Group's business results, net sales were ¥17,094 million (a 2.6% year-on-year increase) thanks to progress in price pass-through in the domestic coatings business. On the profit side, operating profit was ¥702 million (a ¥272 million year-on-year decrease), ordinary profit was ¥922 million (a ¥213 million year-on-year decrease), and profit attributable to owners of parent was ¥594 million (a ¥5 million year-on-year increase) as the impact of the rise in raw material prices was further strengthened.

The business results by segment were as follows.

[Domestic coatings business]

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

As a result, net sales were ¥12,810 million (a 3.9% year-on-year increase), and operating profit was ¥343 million (a ¥260 million year-on-year decrease).

[Overseas coatings business]

In Southeast Asia and North and Central America, demand for coatings for automotive parts decreased due to a decline in production by major customers, and sales in each region were lower year on year. In China, sales of baking coatings increased due to the acquisition of new customers, and net sales were higher year on year. In this segment, net sales were higher year on year due to the effect of foreign currency translation resulting from the yen's depreciation. Profits were lower year on year due to the impact of higher raw material prices.

As a result, net sales were ¥1,844 million (a 0.4% year-on-year increase), and operating profit was ¥95 million (a ¥97 million year-on-year decrease).

[Lighting business]

In the commercial LED lighting field, sales were higher year on year due to a partial recovery in market conditions. In this segment, net sales were lower year on year due to a decrease in sales of lighting installation work. As for profits, they exceeded year on year levels due to increased sales in the commercial LED lighting field as well as efforts to reduce costs.

As a result, net sales were ¥1,768 million (a 1.9% year-on-year decrease), and operating profit was ¥169 million (a ¥64 million year-on-year increase).

[Fluorescent color material business]

In the processed products segment, demand is on a recovery trend due to the resumption of various events, etc. However, in the pigments segment, demand from major customers declined in the domestic market, and net sales in this segment fell year on year. In terms of earnings, although the

company made efforts to pass on the rise in raw material prices and reduce expenses, sales declined year on year due to a decrease in net sales.

As a result, net sales were ¥289 million (a 12.2% year-on-year decrease), and operating income was ¥18 million (a ¥3 million year-on-year decrease).

[Other businesses]

Net sales were ¥381 million (a 5.2% year-on-year increase), and operating income was ¥32 million (a ¥2 million year-on-year increase).

(2) Explanation of financial position

Total assets at the end of the first quarter of the fiscal year ending March 31, 2023, were ¥90,284 million, an increase of ¥2,579 million from the end of the previous consolidated fiscal year. Current assets totaled ¥36,790 million, an increase of ¥2,017 million from the end of the previous consolidated fiscal year, mainly due to a decrease in cash and deposits of ¥112 million, an increase in notes and accounts receivable - trade, and contract assets of ¥1,167 million, an increase in inventories of ¥737 million, and other increases of ¥221 million. Non-current assets totaled ¥53,493 million, an increase of ¥561 million from the end of the previous consolidated fiscal year, mainly due to an increase in tangible fixed assets of ¥727 million and a decrease in investments and other assets of ¥135 million.

Liabilities totaled ¥38,159 million, an increase of ¥2,445 million from the end of the previous consolidated fiscal year. Current liabilities totaled ¥28,415 million, an increase of ¥2,624 million from the end of the previous consolidated fiscal year, mainly due to an increase of ¥436 million in notes and accounts payable - trade, an increase in short-term borrowings of ¥2,650 million, a decrease in income taxes payable of ¥275 million, and a decrease in provisions for product compensation of ¥141 million. Non-current liabilities were ¥9,744 million, a decrease of ¥179 million from the end of the previous consolidated fiscal year, mainly due to a decrease in deferred tax liabilities of ¥116 million.

Net assets were ¥52,125 million, an increase of ¥133 million from the end of the previous consolidated fiscal year. The main reasons for this were a decrease in retained earnings of ¥113 million, a decrease in valuation difference on available-for-sale securities of ¥194 million, an increase in foreign currency translation adjustment of ¥466 million, a decrease in the remeasurements of defined benefit plans of ¥238 million, and an increase in non-controlling interests of ¥213 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, 2023, and the full year are unchanged from the previously announced forecasts (May 11, 2022).

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	6,777	6,664
Notes and accounts receivable - trade, and contract assets	16,411	17,579
Merchandise and finished goods	5,603	5,788
Work in process	905	932
Raw materials and supplies	3,720	4,245
Other	1,386	1,608
Allowance for doubtful accounts	(31)	(27)
Total current assets	34,773	36,790
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,323	22,575
Accumulated depreciation	(14,449)	(14,655)
Buildings and structures, net	7,873	7,919
Machinery, equipment and vehicles	23,441	23,813
Accumulated depreciation	(19,669)	(19,999)
Machinery, equipment and vehicles, net	3,772	3,813
Land	11,498	12,190
Leased assets	1,902	1,876
Accumulated depreciation	(1,001)	(1,044)
Leased assets, net	900	832
Construction in progress	209	257
Other	6,820	6,901
Accumulated depreciation	(5,483)	(5,595)
Other, net	1,336	1,305
Total property, plant and equipment	25,591	26,319
Intangible assets		
Leased assets	120	108
Other	254	236
Total intangible assets	374	344
Investments and other assets		
Investment securities	7,324	7,049
Deferred tax assets	1,794	1,735
Retirement benefit asset	17,264	17,483
Other	608	587
Allowance for doubtful accounts	(25)	(25)
Total investments and other assets	26,965	26,830
Total non-current assets	52,932	53,493
Total assets	87,705	90,284

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,340	16,777
Short-term borrowings	3,050	5,700
Lease liabilities	312	297
Income taxes payable	429	154
Provision for bonuses for directors (and other officers)	56	–
Provision for product warranties	370	228
Other	5,230	5,256
Total current liabilities	25,790	28,415
Non-current liabilities		
Long-term borrowings	1,200	1,200
Lease liabilities	981	909
Deferred tax liabilities	5,436	5,319
Deferred tax liabilities for land revaluation	1,303	1,303
Retirement benefit liability	938	953
Provision for environmental measures	8	8
Other	54	49
Total non-current liabilities	9,923	9,744
Total liabilities	35,713	38,159
Net assets		
Shareholders' equity		
Share capital	8,827	8,827
Capital surplus	2,440	2,440
Retained earnings	29,417	29,303
Treasury shares	(1,582)	(1,582)
Total shareholders' equity	39,101	38,988
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,027	2,833
Revaluation reserve for land	1,882	1,882
Foreign currency translation adjustment	(2)	463
Remeasurements of defined benefit plans	5,006	4,768
Total accumulated other comprehensive income	9,913	9,947
Share acquisition rights	243	243
Non-controlling interests	2,732	2,945
Total net assets	51,991	52,125
Total liabilities and net assets	87,705	90,284

(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, 2021	Three months ended June 30, 2022
Net sales	16,666	17,094
Cost of sales	11,532	12,261
Gross profit	5,133	4,833
Selling, general and administrative expenses	4,158	4,130
Operating profit	975	702
Non-operating income		
Interest income	5	3
Dividend income	93	103
Foreign exchange gains	29	82
Other	82	73
Total non-operating income	211	263
Non-operating expenses		
Interest expenses	19	17
Other	30	26
Total non-operating expenses	50	43
Ordinary profit	1,135	922
Extraordinary losses		
Loss on disposal of non-current assets	14	4
Impairment losses	-	71
Total extraordinary losses	14	75
Profit before income taxes	1,121	847
Income taxes - current	121	62
Income taxes - deferred	311	138
Total income taxes	433	200
Profit	687	646
Profit attributable to non-controlling interests	98	51
Profit attributable to owners of parent	588	594

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	687	646
Other comprehensive income		
Valuation difference on available-for-sale securities	(248)	(194)
Foreign currency translation adjustment	380	628
Remeasurements of defined benefit plans, net of tax	(202)	(238)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(69)	195
Comprehensive income	618	841
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	458	628
Comprehensive income attributable to non-controlling interests	159	213

(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)

Not applicable.

(Changes in important subsidiaries during the period)

During the quarter under review, Nitto Chemical Co., Ltd. and BO Chemical Co., Ltd., consolidated subsidiaries of the Company, conducted an absorption-type merger on April 1, 2022, with Nitto Chemical Co., Ltd. as the surviving company and BO Chemical Co., Ltd. as the dissolving company, and excluded the dissolved company BO Chemical Co., Ltd. from the scope of consolidation.

(Segment information, etc.)

[Segment information]

I First three months of the fiscal year ended March 31, 2022 (April 1, 2021 to June 30, 2021)

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

(Millions of yen)

	Reportable segments				
	Domestic coatings	Overseas coatings	Lighting	Fluorescent color materials	Total
Net sales					
Net sales to external customers	12,333	1,838	1,802	329	16,304
Intersegment internal net sales or transfers	265	1	6	19	293
Total	12,599	1,839	1,809	349	16,598
Segment profit	603	192	104	21	922

	Other ¹	Total	Amount of adjustment ²	Quarterly consolidated income statement ³
Net sales				
Net sales to external customers	362	16,666	–	16,666
Intersegment internal net sales or transfers	584	878	(878)	–
Total	947	17,545	(878)	16,666
Segment profit	30	952	23	975

(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 ¥23 million refers to the elimination of intersegment transactions.

3. Segment profit is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

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

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

II First three months of the fiscal year ending March 31, 2023 (April 1, 2022 to June 30, 2022)

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

(Millions of yen)

	Reportable segments				
	Domestic coatings	Overseas coatings	Lighting	Fluorescent color materials	Total
Net sales					
Net sales to external customers	12,810	1,844	1,768	289	16,713
Intersegment internal net sales or transfers	266	–	7	23	297
Total	13,076	1,844	1,776	313	17,010
Segment profit	343	95	169	18	625

	Other ¹	Total	Amount of adjustment ²	Quarterly consolidated income statement ³
Net sales				
Net sales to external customers	381	17,094	–	17,094
Intersegment internal net sales or transfers	596	893	(893)	–
Total	977	17,988	(893)	17,094
Segment profit	32	658	44	702

- (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 ¥44 million refers to the elimination of intersegment transactions.
3. Segment profit is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

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

(Significant subsequent events)

Disposal of treasury shares as restricted stock compensation

At the Board of Directors meeting held on June 29, 2022, the Company resolved to dispose of its own treasury shares as restricted stock compensation, and the payment procedures were completed as follows on July 20, 2022.

Overview of disposal

(1) Payment due date	July 20, 2022
(2) Type and number of shares to be disposed	22,455 shares of the Company’s common stock
(3) Disposal value	¥718 per share
(4) Total amount of disposal	¥16,122,690
(5) Disposal destination	Directors of the Company* 5 persons 16,921 shares Executive officer of the Company 5 persons 5,534 shares * Excludes outside Directors.