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November 10, 2022

Consolidated Financial Results for the Six Months Ended September 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: November 11, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 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	%
Six months ended								
September 30, 2022	34,855	6.2	1,773	1.6	2,031	15.9	1,323	43.7
September 30, 2021	32,817	8.0	1,746	114.2	1,752	68.7	920	122.5

Note: Comprehensive income For the six months ended September 30, 2022: ¥1,945 million [69.0%]
 For the six months ended September 30, 2021: ¥1,151 million [717.7%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	46.68	46.29
September 30, 2021	32.52	32.27

(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, 2022	91,624	53,115	54.6	1,757.89
March 31, 2022	87,705	51,991	55.9	1,730.00

Reference: Equity
 As of September 30, 2022: ¥49,984 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	–	0.00			
Fiscal year ending March 31, 2023 (Forecast)			–	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
Fiscal year ending March 31, 2023	72,000	7.5	3,800	19.4	4,200	21.2	3,300	62.4	116.22

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, 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 September 30, 2022	1,276,092 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)

Six months ended September 30, 2022	28,355,140 shares
Six months ended September 30, 2021	28,315,106 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, 2023, the Japanese economy progressively achieved a balance between preventing the spread of the novel coronavirus infection and maintaining economic activities. However, the outlook remained uncertain due to factors such as 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 ¥34,855 million (a 6.2% year-on-year increase) thanks to progress in price pass-through in each segment. On the profit side, this progress in price pass-through and a strong performance in the lighting business resulted in an operating profit of ¥1,773 million (a ¥27 million year-on-year increase), ordinary profit of ¥2,031 million (a ¥279 million year-on-year increase), and profit attributable to owners of parent of ¥1,323 million (a ¥402 million year-on-year increase).

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 building materials and plastics. In this segment, net sales increased year on year due to progress in price pass-through. On the profit side, the price pass-through was not enough to offset the impact of higher raw material prices, resulting in a lower profit year on year.

As a result, net sales were ¥26,017 million (a 6.7% year-on-year increase), and operating profit was ¥829 million (a ¥248 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. In China, sales of baking coatings increased due to the acquisition of new customers, but demand for coatings for automotive parts decreased due to the lockdown in Shanghai. 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 ¥3,543 million (a 1.3% year-on-year increase), and operating profit was ¥188 million (a ¥75 million year-on-year decrease).

[Lighting business]

In the commercial LED lighting field, sales were higher year on year due to measures to pass on the rise in raw material prices, in addition to a recovery in demand for lighting for commercial facilities and construction. As for profits, they exceeded year on year levels due to increased sales and efforts to reduce costs.

As a result, net sales were ¥3,907 million (an 8.5% year-on-year increase), and operating profit was ¥517 million (a ¥304 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, sales

increased year on year due to measures to pass on the rise in raw material prices and reduce expenses.

As a result, net sales were ¥558 million (a 10.1% year-on-year decrease), and operating profit was ¥32 million (a ¥5 million year-on-year increase).

[Other businesses]

Net sales were ¥829 million (a 15.9% year-on-year increase), and operating profit was ¥64 million (an ¥18 million year-on-year increase).

(2) Explanation of financial position

Total assets at the end of the second quarter of the fiscal year ending March 31, 2023, were ¥91,624 million, an increase of ¥3,918 million from the end of the previous consolidated fiscal year. Current assets increased by ¥2,723 million to ¥37,496 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in cash and deposits of ¥313 million, an increase in notes and accounts receivable - trade, and contract assets of ¥1,884 million, and an increase in inventories of ¥1,150 million. Non-current assets totaled ¥54,127 million, an increase of ¥1,195 million from the end of the previous consolidated fiscal year, mainly due to an increase in tangible fixed assets of ¥1,263 million.

Liabilities totaled ¥38,509 million, an increase of ¥2,795 million from the end of the previous consolidated fiscal year. Current liabilities totaled ¥29,237 million, an increase of ¥3,446 million from the end of the previous consolidated fiscal year, mainly due to an increase of ¥438 million in notes and accounts payable - trade, an increase in short-term borrowings of ¥3,200 million, a decrease in provisions for product compensation of ¥148 million, an increase in lease liabilities of ¥160 million, and a decrease in other of ¥176 million. Non-current liabilities were ¥9,271 million, a decrease from the end of the previous consolidated fiscal year of ¥651 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 a decrease in deferred tax liabilities of ¥219 million.

Net assets were ¥53,115 million, an increase of ¥1,123 million from the end of the previous consolidated fiscal year. The main reasons for this were an increase in retained earnings of ¥591 million, a decrease in treasury shares of ¥116 million, a decrease in valuation difference on available-for-sale securities of ¥313 million, an increase in foreign currency translation adjustment of ¥1,030 million, a decrease in the remeasurements of defined benefit plans of ¥455 million, and an increase in non-controlling interests of ¥231 million.

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

The consolidated earnings forecast for the fiscal year ending March 31, 2023, is unchanged from the forecast announced on October 27, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	6,777	6,463
Notes and accounts receivable - trade, and contract assets	16,411	18,295
Merchandise and finished goods	5,603	6,264
Work in process	905	990
Raw materials and supplies	3,720	4,124
Other	1,386	1,386
Allowance for doubtful accounts	(31)	(28)
Total current assets	34,773	37,496
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,323	22,966
Accumulated depreciation	(14,449)	(14,869)
Buildings and structures, net	7,873	8,097
Machinery, equipment and vehicles	23,441	23,993
Accumulated depreciation	(19,669)	(20,159)
Machinery, equipment and vehicles, net	3,772	3,834
Land	11,498	12,302
Leased assets	1,902	1,773
Accumulated depreciation	(1,001)	(1,002)
Leased assets, net	900	770
Construction in progress	209	301
Other	6,820	7,269
Accumulated depreciation	(5,483)	(5,721)
Other, net	1,336	1,548
Total property, plant and equipment	25,591	26,854
Intangible assets		
Leased assets	120	96
Other	254	238
Total intangible assets	374	334
Investments and other assets		
Investment securities	7,324	6,880
Deferred tax assets	1,794	1,810
Retirement benefit asset	17,264	17,706
Other	608	565
Allowance for doubtful accounts	(25)	(25)
Total investments and other assets	26,965	26,938
Total non-current assets	52,932	54,127
Total assets	87,705	91,624

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,340	16,779
Short-term borrowings	3,050	6,250
Lease liabilities	312	473
Income taxes payable	429	458
Provision for bonuses for directors (and other officers)	56	–
Provision for product warranties	370	222
Other	5,230	5,053
Total current liabilities	25,790	29,237
Non-current liabilities		
Long-term borrowings	1,200	900
Lease liabilities	981	835
Deferred tax liabilities	5,436	5,216
Deferred tax liabilities for land revaluation	1,303	1,303
Retirement benefit liability	938	965
Provision for environmental measures	8	–
Other	54	49
Total non-current liabilities	9,923	9,271
Total liabilities	35,713	38,509
Net assets		
Shareholders' equity		
Share capital	8,827	8,827
Capital surplus	2,440	2,440
Retained earnings	29,417	30,008
Treasury shares	(1,582)	(1,465)
Total shareholders' equity	39,101	39,810
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,027	2,714
Revaluation reserve for land	1,882	1,882
Foreign currency translation adjustment	(2)	1,027
Remeasurements of defined benefit plans	5,006	4,550
Total accumulated other comprehensive income	9,913	10,174
Share acquisition rights	243	166
Non-controlling interests	2,732	2,963
Total net assets	51,991	53,115
Total liabilities and net assets	87,705	91,624

(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, 2021	Six months ended September 30, 2022
Net sales	32,817	34,855
Cost of sales	22,870	24,846
Gross profit	9,946	10,009
Selling, general and administrative expenses	8,200	8,235
Operating profit	1,746	1,773
Non-operating income		
Interest income	9	7
Dividend income	120	135
Foreign exchange gains	26	114
Other	124	127
Total non-operating income	281	383
Non-operating expenses		
Interest expenses	36	39
Compensation expenses	78	20
Provision for product warranties	101	–
Other	57	66
Total non-operating expenses	275	126
Ordinary profit	1,752	2,031
Extraordinary income		
Gain on sale of non-current assets	0	–
Total extraordinary income	0	–
Extraordinary losses		
Loss on disposal of non-current assets	76	33
Impairment losses	–	71
Other	–	24
Total extraordinary losses	76	128
Profit before income taxes	1,675	1,902
Income taxes - current	307	383
Income taxes - deferred	309	113
Total income taxes	617	497
Profit	1,058	1,405
Profit attributable to non-controlling interests	137	81
Profit attributable to owners of parent	920	1,323

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	1,058	1,405
Other comprehensive income		
Valuation difference on available-for-sale securities	133	(313)
Foreign currency translation adjustment	364	1,308
Remeasurements of defined benefit plans, net of tax	(404)	(455)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	92	539
Comprehensive income	1,151	1,945
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	998	1,584
Comprehensive income attributable to non-controlling interests	152	360

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,675	1,902
Depreciation	1,282	1,173
Increase (decrease) in provision for bonuses for directors (and other officers)	(44)	(56)
Increase/decrease in net defined benefit asset/liability	(1,003)	(1,071)
Increase (decrease) in provision for product warranties	99	(148)
Increase (decrease) in provision for environmental measures	–	(8)
Increase (decrease) in allowance for doubtful accounts	2	(2)
Interest and dividend income	(130)	(142)
Interest expenses	36	39
Foreign exchange losses (gains)	(18)	(59)
Share of loss (profit) of entities accounted for using equity method	(1)	(2)
Loss (gain) on sale of non-current assets	(0)	–
Loss (gain) on disposal of non-current assets	76	33
Impairment losses	–	71
Decrease (increase) in trade receivables	292	(1,615)
Decrease (increase) in inventories	(800)	(835)
Increase (decrease) in trade payables	401	200
Other, net	(44)	(202)
Subtotal	1,823	(724)
Interest and dividends received	131	142
Interest paid	(36)	(39)
Payments of business restructuring expenses	(43)	(24)
Income taxes refund	336	183
Income taxes paid	(372)	(361)
Net cash provided by (used in) operating activities	1,839	(823)
Cash flows from investing activities		
Payments into time deposits	(84)	(97)
Proceeds from withdrawal of time deposits	84	104
Purchase of property, plant and equipment	(613)	(2,101)
Proceeds from sale of property, plant and equipment	13	126
Payments for retirement of property, plant and equipment	(89)	(8)
Purchase of intangible assets	(42)	(20)
Purchase of investment securities	(7)	(5)
Other, net	(17)	4
Net cash provided by (used in) investing activities	(758)	(1,998)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(400)	3,200
Repayments of long-term borrowings	(300)	(300)
Repayments of lease liabilities	(208)	(181)
Dividends paid	(707)	(708)
Dividends paid to non-controlling interests	(74)	(129)
Purchase of treasury shares	(0)	(0)
Other, net	–	0
Net cash provided by (used in) financing activities	(1,690)	1,881
Effect of exchange rate change on cash and cash equivalents	122	598
Net increase (decrease) in cash and cash equivalents	(486)	(342)
Cash and cash equivalents at beginning of period	6,736	6,479
Cash and cash equivalents at end of period	6,250	6,136

(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 22,455 of its own treasury shares as restricted stock compensation, based on the resolution passed at the Board of Directors meeting held on June 29, 2022. The Company also disposed of 79,400 treasury shares through the exercise of employee share options. As a result, during the first six months of the fiscal year ending March 31, 2023, treasury shares decreased by ¥117 million to ¥1,465 million at the end of the second quarter of the fiscal year ending March 31, 2023.

(Changes in important subsidiaries during the period)

During the first quarter of the fiscal year ending March 31, 2023, 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 the Company excluded the dissolved company BO Chemical Co., Ltd. from the scope of consolidation.

(Segment information, etc.)

[Segment information]

I First six months of the fiscal year ended March 31, 2022 (April 1, 2021 to September 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	24,380	3,498	3,602	620	32,102
Intersegment internal net sales or transfers	464	–	28	40	533
Total	24,845	3,498	3,630	661	32,636
Segment profit	1,077	264	213	27	1,583

	Other ¹	Total	Amount of adjustment ²	Quarterly consolidated income statement ³
Net sales				
Net sales to external customers	715	32,817	–	32,817
Intersegment internal net sales or transfers	1,178	1,712	(1,712)	–
Total	1,894	34,530	(1,712)	32,817
Segment profit	45	1,629	116	1,746

- (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 ¥116 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
Not applicable.

II First six months of the fiscal year ending March 31, 2023 (April 1, 2022 to September 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	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 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)

Sale of non-current assets

At the Board of Directors meeting held on October 27, 2022, the Company resolved to sell non-current assets.

Please refer to “Notice Regarding the Sale of Non-current Assets, the Recording of Extraordinary Income, and Revisions to the Consolidated Earnings Forecast” announced on October 27, 2022, for details.