

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

November 11, 2022

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 Stock exchange listing: Tokyo
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 Scheduled date to file Quarterly Securities Report: November 14, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

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	18,760	17.4	1,164	(7.5)	2,286	22.5	1,554	0.2
Six months ended September 30, 2021	15,986	–	1,259	–	1,865	–	1,550	–

Note: Comprehensive income Six months ended September 30, 2022: ¥3,291 million [64.2%]
 Six months ended September 30, 2021: ¥2,004 million [–%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	269.43	267.61
Six months ended September 30, 2021	269.04	267.52

Note: TODA KOGYO CORP. (the “Company”) has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ended March 31, 2022, and each figure for the six months ended September 30, 2021, is the figure after applying the accounting standard and relevant ASBJ regulations. The percentage of year-on-year change is not shown for net sales that are significantly impacted by the application of the accounting standard.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	56,708	16,998	26.8
As of March 31, 2022	51,292	13,958	24.2

Reference: Equity
 As of September 30, 2022: ¥15,211 million
 As of March 31, 2022: ¥12,427 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	–	0.00	–	0.00	0.00
Year ending March 31, 2023	–	0.00	–	–	–
Year ending March 31, 2023 (Forecast)	–	–	–	0.00	0.00

Note: Revisions to the forecasts of cash dividends most recently announced: No

3. Forecast of consolidated financial results for the 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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	36,000	1.9	1,800	(28.5)	3,700	(11.6)	2,400	(23.0)	416.08

Notes: 1. Revisions to the consolidated financial results forecasts most recently announced: Yes

2. Please refer to “Notification of Recording of Non-operating Income, Differences between Forecast and Actual Results for the Six Months Ended September 30, 2022, and Revisions to Forecast of Full Year Consolidated Financial Results” (in Japanese only) released today (November 11, 2022) for information on revisions to forecast of financial results.

* Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	6,099,192 shares	As of March 31, 2022	6,099,192 shares
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Number of treasury shares at the end of the period

As of September 30, 2022	326,046 shares	As of March 31, 2022	334,712 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	5,768,149 shares	Six months ended September 30, 2021	5,764,014 shares
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* 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

(Caution regarding forward-looking statements and others)

The forecast of financial results is based on information available at the current time and include many uncertain factors. Actual financial results and other items may differ from the above forecast for any of various reasons, including changes in business conditions. Please refer to “(3) Explanation of Forecast of Financial Results and Other Forward-looking Statements” of “1. Qualitative Information on Quarterly Financial Results” on page 1 of the attached materials for the items related to the above forecasts.

(Method of accessing supplementary material on quarterly financial results and contents of quarterly financial results meeting)

A financial results meeting will be held on December 6, 2022 for institutional investors and analysts. Supplementary material on financial results will be posted on the Company’s website on the day of the financial results meeting.

In addition, the Company plans to post a video of the financial results meeting on its website on or after December 6, as soon as such material is ready.

Attached Material

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

In the business environment surrounding the TODA KOGYO Group (the “Group”) during the six months ended September 30, 2022, restrictions on movement imposed because of COVID-19 were relaxed, and there were signs that economic activities were normalizing. However, due to factors like surging prices for raw materials and energy because of the continuing war in Ukraine, and global monetary tightening, the future outlook remains uncertain.

Amid these conditions, sales at the Group were strong centered on our core business of coloring materials, and net sales rose year on year.

The following is a summary for each segment.

For the functional pigments segment, net sales rose year on year as market demand has remained firm since the previous fiscal year, and sales of materials for copiers and printers, materials for coatings, and materials for catalysts were firm.

In the electronic materials segment, the global semiconductor shortage and a break in stay-at-home demand from the COVID-19 pandemic impacted certain products through inventory adjustments. Meanwhile, there was an increase in demand for bonded rare earth magnet material, which possesses world-class magnetic properties, mainly for use in car motors. Additionally, Jiangmen & Partner’s Magnetic Product Co., Ltd., which was turned into a subsidiary on July 1, 2021, was added to the scope of consolidation (included in statement of income starting from the third quarter of the previous fiscal year). For these reasons, net sales rose year on year.

Turning to profit, operating profit declined year on year due to the impact of surging prices for raw materials and energy as well as shipping costs. However, in terms of non-operating income, revenues from affiliates accounted for using the equity method were strong, and the Group posted foreign exchange gains of ¥319 million due to progressing yen depreciation, leading ordinary profit to increase year on year.

As a result of the above, net sales came to ¥18,760 million (up 17.4% year on year), operating profit, ¥1,164 million (down 7.5% year on year), ordinary profit, ¥2,286 million (up 22.5% year on year), and profit attributable to owners of parent, ¥1,554 million (up 0.2% year on year).

(2) Explanation of Financial Position

Assets

Assets as of September 30, 2022, came to ¥56,708 million, an increase of ¥5,416 million over the end of the previous fiscal year. This was mainly due to an increase of ¥806 million in cash and deposits, an increase of ¥824 million in merchandise and finished goods, an increase of ¥675 million in raw materials and supplies, an increase of ¥1,025 million in property, plant and equipment, an increase of ¥681 million in goodwill, and an increase of ¥1,052 million in other under investments and other assets.

Liabilities

Liabilities as of September 30, 2022, came to ¥39,709 million, an increase of ¥2,376 million over the end of the previous fiscal year. This was mainly due to an increase of ¥2,342 million in borrowings.

Net assets

Net assets as of September 30, 2022, came to ¥16,998 million, an increase of ¥3,040 million over the end of the previous fiscal year. This was mainly due to ¥1,554 million in profit attributable to owners of parent, an increase of ¥1,216 million in foreign currency translation adjustment, and an increase of ¥266 million in non-controlling interests.

(3) Explanation of Forecast of Financial Results and Other Forward-looking Statements

Please refer to “Notification on the Recording of Non-operating Income, Differences Between the Forecast and the Financial Results for the Six Months Ended September 30, 2022, and Revisions to Our Full-year Forecast of Consolidated Financial Results” (in Japanese only) released today (November 11, 2022) for information on revisions to forecast of consolidated financial results.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	7,962	8,768
Notes and accounts receivable - trade	10,524	10,303
Merchandise and finished goods	4,423	5,247
Work in process	1,973	2,249
Raw materials and supplies	3,023	3,698
Other	1,480	1,696
Allowance for doubtful accounts	(6)	(6)
Total current assets	29,381	31,958
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,324	2,466
Machinery, equipment and vehicles, net	1,707	1,943
Land	6,320	6,323
Construction in progress	224	833
Other, net	783	818
Total property, plant and equipment	11,361	12,386
Intangible assets		
Goodwill	1,992	2,673
Other	154	141
Total intangible assets	2,147	2,814
Investments and other assets		
Investment securities	2,607	2,702
Other	5,797	6,849
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	8,401	9,548
Total non-current assets	21,910	24,749
Total assets	51,292	56,708

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,714	5,587
Short-term borrowings	8,601	8,698
Current portion of long-term borrowings	3,278	3,780
Income taxes payable	278	346
Provision for bonuses	295	220
Provision for environmental measures	67	79
Provision for loss on factory closings	11	-
Other	2,029	2,174
Total current liabilities	20,276	20,887
Non-current liabilities		
Long-term borrowings	12,782	14,525
Long-term accounts payable - other	940	760
Retirement benefit liability	1,912	1,899
Other	1,421	1,636
Total non-current liabilities	17,056	18,822
Total liabilities	37,333	39,709
Net assets		
Shareholders' equity		
Share capital	7,477	7,477
Capital surplus	4,358	4,340
Retained earnings	(112)	1,441
Treasury shares	(1,507)	(1,467)
Total shareholders' equity	10,215	11,791
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	633	617
Foreign currency translation adjustment	1,320	2,536
Remeasurements of defined benefit plans	258	267
Total accumulated other comprehensive income	2,211	3,420
Share acquisition rights	88	77
Non-controlling interests	1,443	1,709
Total net assets	13,958	16,998
Total liabilities and net assets	51,292	56,708

(2) Consolidated Statements of Income (Cumulative) and Consolidated Statements of Comprehensive Income (Cumulative)

Consolidated Statements of Income (Cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	15,986	18,760
Cost of sales	12,236	14,459
Gross profit	3,749	4,300
Selling, general and administrative expenses		
Employees' salaries	566	609
Research and development expenses	536	654
Other	1,387	1,871
Total selling, general and administrative expenses	2,490	3,135
Operating profit	1,259	1,164
Non-operating income		
Interest income	20	18
Dividend income	21	32
Outsourcing service income	7	7
Share of profit of entities accounted for using equity method	639	736
Subsidies for employment adjustment	19	–
Foreign exchange gains	–	319
Other	101	150
Total non-operating income	811	1,265
Non-operating expenses		
Interest expenses	96	122
Foreign exchange losses	25	–
Other	83	21
Total non-operating expenses	204	143
Ordinary profit	1,865	2,286
Extraordinary income		
Gain on disposal of non-current assets	3	0
Gain on change in equity	–	60
Gain on sale of investment securities	39	–
National subsidies	20	1
Compensation income	–	16
Total extraordinary income	63	78
Extraordinary losses		
Loss on disposal of non-current assets	14	26
Loss on tax purpose reduction entry of non-current assets	16	–
Compensation expenses	–	76
Total extraordinary losses	31	103
Profit before income taxes	1,898	2,261
Income taxes - current	166	234
Income taxes - deferred	81	147
Total income taxes	247	382
Profit	1,650	1,879
Profit attributable to non-controlling interests	99	325
Profit attributable to owners of parent	1,550	1,554

Consolidated Statements of Comprehensive Income (Cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	1,650	1,879
Other comprehensive income		
Valuation difference on available-for-sale securities	(214)	(16)
Foreign currency translation adjustment	405	1,145
Remeasurements of defined benefit plans, net of tax	5	8
Share of other comprehensive income of entities accounted for using equity method	157	274
Total other comprehensive income	354	1,411
Comprehensive income	2,004	3,291
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,825	2,762
Comprehensive income attributable to non-controlling interests	179	529

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable

(Notes When There Are Significant Changes in Amounts of Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) (hereinafter, "Fair Value Measurement Accounting Standard Implementation Guidance") from the beginning of the first quarter of the current fiscal year, and decided to apply new accounting policies set forth in the Fair Value Measurement Accounting Standard Implementation Guidance prospectively in accordance with the transitional treatment provided for in paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. This does not have any impact on the quarterly consolidated financial statements.