

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Based on Japanese GAAP)

February 10, 2023

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 Scheduled date to file Quarterly Securities Report: February 13, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended December 31, 2022	27,491	11.4	1,203	(27.0)	2,746	(0.4)	2,677	27.2
Nine months ended December 31, 2021	24,676	–	1,649	–	2,757	–	2,105	–

Note: Comprehensive income
 Nine months ended December 31, 2022: ¥4,036 million [38.6%]
 Nine months ended December 31, 2021: ¥2,911 million [–%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	464.11	460.84
Nine months ended December 31, 2021	365.23	362.97

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 nine months ended December 31, 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 December 31, 2022	52,776	16,648	29.9
As of March 31, 2022	51,292	13,958	24.2

Reference: Equity
 As of December 31, 2022: ¥15,786 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	35,000	(0.9)	1,600	(36.5)	3,400	(18.7)	3,000	(3.7)	519.97

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

2. Please refer to “Notification of Recording of Non-operating Income and Extraordinary Income and Revisions to Forecast of Full Year Consolidated Financial Results” (in Japanese only) released today (February 10, 2023) for information on revisions to forecast of financial results.

* Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2022	326,379 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)

Nine months ended December 31, 2022	5,769,582 shares	Nine months ended December 31, 2021	5,764,206 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

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.

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 nine months ended December 31, 2022, restrictions on movement imposed because of COVID-19 were relaxed, economic activities gradually returned to normal, and there were signs of a gradual economic recovery. However, due to factors such as price increases caused by surging prices of raw materials and energy, heightened US-China tensions and prolonged situation in the Ukraine, as well as downside pressure on overseas economies from the global monetary tightening, the future outlook remained 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, we faced a decline in the demand for certain products such as dielectric materials due to factors including inventory adjustments owing to the global semiconductor shortage as well as weaker demand for smartphones and PCs. Meanwhile, net sales increased from the previous year 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 became a subsidiary on August 13, 2021, was added to the scope of consolidation (included in the statement of income starting from the third quarter of the previous fiscal year). For this reason, net sales were higher than that of the previous year.

Turning to profit, operating profit and ordinary profit declined year on year due to the impact of surging prices for raw materials and energy as well as shipping costs. However, profit attributable to owners of parent for the quarter increased year on year due to factors including extraordinary income from the transfer of shareholding in Toda United Industrial (Zhejiang) Co., Ltd., a former consolidated subsidiary.

As a result of the above, net sales came to ¥27,491 million (up 11.4% year on year), operating profit, ¥1,203 million (down 27.0% year on year), ordinary profit, ¥2,746 million (down 0.4% year on year), and profit attributable to owners of parent, ¥2,677 million (up 27.2% year on year).

(2) Explanation of Financial Position

Assets

Assets as of December 31, 2022, came to ¥52,776 million, an increase of ¥1,484 million over the end of the previous fiscal year. This was mainly due to increases of ¥1,208 million in cash and deposits, ¥473 million in raw materials and supplies, ¥711 million in other current assets, ¥606 million in goodwill and ¥1,531 million in investments in capital of subsidiaries and associates, despite decreases of ¥2,481 million in notes and accounts receivable - trade and ¥1,008 million in investments and other assets.

Liabilities

Liabilities as of December 31, 2022, came to ¥36,128 million, a decrease of ¥1,205 million over the end of the previous fiscal year. This was mainly due to decreases of ¥2,503 million in notes and accounts payable - trade, ¥200 million in provision for bonuses, and ¥348 million in long-term accounts payable - other, despite an increase of ¥2,282 million in borrowings.

Net assets

Net assets as of December 31, 2022, came to ¥16,648 million, an increase of ¥2,690 million over the end of the previous fiscal year. This was mainly due to increases of ¥2,677 million in profit attributable to owners of parent, and ¥742 million in foreign currency translation adjustment, despite a decrease of ¥663 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 and Extraordinary Income, and Revisions to Our Full-year Forecast of Consolidated Financial Results” (in Japanese only) released today (February 10, 2023) 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	7,962	9,170
Notes and accounts receivable - trade	10,524	8,043
Merchandise and finished goods	4,423	4,620
Work in process	1,973	1,965
Raw materials and supplies	3,023	3,496
Other	1,480	2,191
Allowance for doubtful accounts	(6)	(10)
Total current assets	29,381	29,477
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,324	2,012
Machinery, equipment and vehicles, net	1,707	1,646
Land	6,320	6,323
Construction in progress	224	1,027
Other, net	783	531
Total property, plant and equipment	11,361	11,542
Intangible assets		
Goodwill	1,992	2,598
Other	154	130
Total intangible assets	2,147	2,728
Investments and other assets		
Investment securities	2,607	2,712
Investments in capital of subsidiaries and associates	4,443	5,974
Other	1,353	345
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	8,401	9,027
Total non-current assets	21,910	23,299
Total assets	51,292	52,776

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,714	3,211
Short-term borrowings	8,601	7,979
Current portion of long-term borrowings	3,278	4,031
Income taxes payable	278	265
Provision for bonuses	295	95
Provision for environmental measures	67	72
Provision for loss on factory closings	11	–
Other	2,029	1,695
Total current liabilities	20,276	17,351
Non-current liabilities		
Long-term borrowings	12,782	14,933
Long-term accounts payable - other	940	592
Retirement benefit liability	1,912	1,842
Other	1,421	1,407
Total non-current liabilities	17,056	18,776
Total liabilities	37,333	36,128
Net assets		
Shareholders' equity		
Share capital	7,477	7,477
Capital surplus	4,358	4,288
Retained earnings	(112)	2,564
Treasury shares	(1,507)	(1,468)
Total shareholders' equity	10,215	12,862
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	633	622
Foreign currency translation adjustment	1,320	2,062
Remeasurements of defined benefit plans	258	238
Total accumulated other comprehensive income	2,211	2,923
Share acquisition rights	88	81
Non-controlling interests	1,443	780
Total net assets	13,958	16,648
Total liabilities and net assets	51,292	52,776

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

Consolidated Statements of Income (Cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	24,676	27,491
Cost of sales	19,049	21,623
Gross profit	5,627	5,867
Selling, general and administrative expenses		
Employees' salaries	861	922
Research and development expenses	892	985
Other	2,224	2,756
Total selling, general and administrative expenses	3,977	4,663
Operating profit	1,649	1,203
Non-operating income		
Interest income	31	32
Dividend income	40	58
Outsourcing service income	11	11
Share of profit of entities accounted for using equity method	1,069	1,349
Subsidies for employment adjustment	20	-
Foreign exchange gains	33	140
Other	138	173
Total non-operating income	1,346	1,765
Non-operating expenses		
Interest expenses	151	200
Other	86	21
Total non-operating expenses	237	222
Ordinary profit	2,757	2,746
Extraordinary income		
Gain on disposal of non-current assets	3	4
Gain on change in equity	-	60
Gain on sale of investments in capital of subsidiaries and associates	-	933
Gain on liquidation of subsidiaries and associates	-	52
Gain on sale of investment securities	40	-
National subsidies	20	1
Compensation income	-	36
Total extraordinary income	63	1,088
Extraordinary losses		
Loss on disposal of non-current assets	45	55
Loss on tax purpose reduction entry of non-current assets	16	-
Compensation expenses	-	76
Total extraordinary losses	61	131
Profit before income taxes	2,760	3,703
Income taxes - current	263	490
Income taxes - deferred	131	91
Total income taxes	394	582
Profit	2,365	3,121
Profit attributable to non-controlling interests	260	443
Profit attributable to owners of parent	2,105	2,677

Consolidated Statements of Comprehensive Income (Cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	2,365	3,121
Other comprehensive income		
Valuation difference on available-for-sale securities	(121)	(11)
Foreign currency translation adjustment	478	671
Remeasurements of defined benefit plans, net of tax	(4)	(19)
Share of other comprehensive income of entities accounted for using equity method	193	273
Total other comprehensive income	545	914
Comprehensive income	2,911	4,036
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,554	3,389
Comprehensive income attributable to non-controlling interests	357	646

(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

(Change in Scope of Application of Equity Method and Scope of Consolidation)

Significant changes in scope of consolidation

Toda United Industrial (Zhejiang) Co., Ltd., a former consolidated subsidiary, has been excluded from the scope of consolidation in the quarter under review as the Company has completed the transfer of all of its shareholding in the former subsidiary.

Similarly, TODA MAGNET (SHENZHEN) CO., LTD., a former consolidated subsidiary, has been excluded from the scope of consolidation in the quarter under review as the liquidation of the former subsidiary has been completed.

These changes in the scope of consolidation are expected to cause material effects to the consolidated financial statements of the fiscal year to which the quarter under review belongs. Contemplated effects include a decrease of total assets in the consolidated balance sheet, and a decrease of net sales in the consolidated statement of income.

(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.