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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2023 [J-GAAP]

May 11, 2023

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 Listing: Tokyo Stock Exchange (Prime Market)
 Securities Code: 4186 URL: <https://www.tok.co.jp/eng>
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 Scheduled date to file quarterly securities report: May 12, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: No

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 2023 (January 1, 2023 to March 31, 2023)

(1) Consolidated Operating Results

(% indicates the rate of increase/decrease year-on-year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First three months ended March 31, 2023	38,463	(2.9)	5,392	(22.3)	5,762	(20.3)	2,157	(56.6)
March 31, 2022	39,599	27.9	6,944	44.4	7,230	46.0	4,970	44.7

(Note) Comprehensive income: First three months ended March 31, 2023 ¥4,479 million [-40.0%]
 First three months ended March 31, 2022 ¥7,465 million [6.6%]

	Basic earnings per share	Diluted earnings per share
First three months ended	Yen	Yen
March 31, 2023	53.55	53.47
March 31, 2022	123.75	123.53

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	237,140	181,005	71.7	4,219.31
December 31, 2022	238,075	180,960	71.3	4,214.27

(Reference) Equity: As of March 31, 2023: ¥169,976 million As of December 31, 2022: ¥169,745 million

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended December 31, 2022	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	-	78.00	-	82.00	160.00
Fiscal year ending December 31, 2023 (Forecast)	-	82.00	-	82.00	164.00

(Note) Revisions to the most recently disclosed dividend forecasts: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 2023 (January 1, 2023 to December 31, 2023)

(% indicates the rate of increase/decrease against the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	89,000	5.1	14,800	(0.1)	15,100	(1.7)	7,900	(18.8)	196.01
Full year	187,500	6.9	31,000	2.7	31,600	2.0	19,400	(1.5)	479.86

(Note) Revisions to the most recently disclosed earnings forecasts: None

There has been no change in the earnings forecasts announced on February 13, 2023.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting treatment in preparing the 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: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(Note): Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 7.

(4) Number of issued shares (common shares)

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

As of March 31, 2023	42,600,000 shares
As of December 31, 2022	42,600,000 shares

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

As of March 31, 2023	2,314,605 shares
As of December 31, 2022	2,321,258 shares

(iii) Average number of shares outstanding during the period

First three months ended March 31, 2023	40,281,307 shares
First three months ended March 31, 2022	40,162,516 shares

* The Financial Results report is outside the scope of a quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of earnings forecasts and other special notes

The earnings forecasts stated in this report are based on the information available as of the date of the release of this report, and actual results may differ from these forecasts due to a variety of factors.

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1. Qualitative Information on Consolidated Financial Results for the First Three Months of the Fiscal Year Ending December 2023

(1) Explanation about Operating Results

During the three months ended March 31, 2023, the global economy continued to be on a gradual recovery trend overall, despite factors such as prolonged U.S.-China trade friction, COVID-19, the situation in Russia and Ukraine.

Under these circumstances, the Group has made an all-out effort to promote the company-wide strategies set out in the “tok Medium-Term Plan 2024,” a three-year medium-term plan ending in FY2024.

In the Group’s business, net sales decreased year on year due to a decrease in demand for PCs and smartphones as well as slowdown in growth of the data server market, resulting in a decline in sales of electronic functional materials and high-purity chemicals.

As a result, for the three months ended March 31, 2023, the Group recorded net sales of ¥38,463 million (down 2.9% year-on-year), operating income of ¥5,392 million (down 22.3% year-on-year), ordinary income of ¥5,762 million (down 20.3% year-on-year), and profit attributable to owners of parent of ¥2,157 million (down 56.6% year-on-year).

Following the transfer of the Equipment Business (excluding certain parts) to AIMECHATEC, Ltd., we operate the Material Business as a single business segment from the three months ended March 31, 2023. Accordingly, operating results by business segment is not disclosed, but net sales by division are as follows.

Net sales in the Electronic Functional Materials Division amounted to ¥20,437 million (down 4.1% year-on-year), in the High-Purity Chemicals Division amounted to ¥17,454 million (down 2.5% year-on-year) and in other divisions amounted to ¥570 million (up 53.6% year-on-year).

(2) Explanation about Financial Position

(Assets)

Total assets as of March 31, 2023 decreased by ¥935 million from December 31, 2022 to ¥237,140 million.

Total current assets decreased by ¥1,612 million mainly due to a decrease in notes and accounts receivable - trade of ¥4,669 million, despite an increase of ¥2,002 million in cash and deposits.

Total non-current assets increased by ¥677 million mainly because investments and other assets increased by ¥2,020 million due to fair value measurement of investment securities despite a decrease in property, plant and equipment of ¥1,317 million due to depreciation.

(Liabilities)

Total liabilities as of March 31, 2023 decreased by ¥979 million from December 31, 2022 to ¥56,135 million mainly because notes and accounts payable - trade decreased by ¥2,134 million despite an increase in provision for bonuses of ¥1,253 million.

(Net assets)

Total net assets as of March 31, 2023 increased by ¥44 million from December 31, 2022 to ¥181,005 million mainly because valuation difference on available-for-sale securities increased by ¥1,432 million due to fair value measurement despite a decrease in retained earnings of ¥1,158 million due to dividend payments.

As a result, the equity ratio as of March 31, 2023 stood at 71.7%.

(3) Explanation about Future Forecast Information Including Consolidated Earnings Forecasts

There has been no change in the earnings forecasts announced on February 13, 2023.

In the event that we need to revise, we will disclose promptly.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY12/22 (As of December 31, 2022)	First quarter of FY12/23 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	55,371	57,373
Notes and accounts receivable - trade	35,812	31,142
Securities	3,999	3,999
Merchandise and finished goods	11,084	10,746
Work in process	7,000	7,476
Raw materials and supplies	11,920	12,896
Other	5,535	5,446
Allowance for doubtful accounts	(89)	(57)
Total current assets	130,636	129,023
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,502	36,922
Other, net	29,507	27,770
Total property, plant and equipment	66,010	64,692
Intangible assets	1,295	1,269
Investments and other assets		
Retirement benefit asset	3,682	3,713
Long-term time deposits	18,000	18,000
Other	18,457	20,448
Allowance for doubtful accounts	(6)	(8)
Total investments and other assets	40,133	42,153
Total non-current assets	107,439	108,116
Total assets	238,075	237,140

(Millions of yen)

	FY12/22 (As of December 31, 2022)	First quarter of FY12/23 (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,617	19,483
Income taxes payable	3,308	2,654
Provision for bonuses	3,090	4,343
Other	12,765	12,628
Total current liabilities	40,781	39,109
Non-current liabilities		
Long-term borrowings	10,222	10,222
Retirement benefit liability	853	874
Other	5,257	5,928
Total non-current liabilities	16,333	17,025
Total liabilities	57,115	56,135
Net assets		
Shareholders' equity		
Share capital	14,640	14,640
Capital surplus	15,303	15,303
Retained earnings	137,551	136,393
Treasury shares	(11,276)	(11,248)
Total shareholders' equity	156,219	155,088
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,280	6,712
Foreign currency translation adjustment	8,877	8,824
Remeasurements of defined benefit plans	(630)	(648)
Total accumulated other comprehensive income	13,526	14,887
Share acquisition rights	174	174
Non-controlling interests	11,039	10,853
Total net assets	180,960	181,005
Total liabilities and net assets	238,075	237,140

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Quarterly Consolidated Statement of Income for the First Three Months)

(Millions of yen)

	First three months of FY 12/22 (January 1, 2022 – March 31, 2022)	First three months of FY 12/23 (January 1, 2023 – March 31, 2023)
Net sales	39,599	38,463
Cost of sales	25,212	24,403
Gross profit	14,387	14,059
Selling, general and administrative expenses	7,442	8,667
Operating income	6,944	5,392
Non-operating income		
Interest income	32	63
Dividend income	52	57
Foreign exchange gains	426	261
Other	83	89
Total non-operating income	594	472
Non-operating expenses		
Interest expenses	19	17
Loss on valuation of derivatives	242	59
Other	47	25
Total non-operating expenses	309	102
Ordinary income	7,230	5,762
Extraordinary income		
Gain on sale of non-current assets	—	217
Other	—	53
Total extraordinary income	—	271
Extraordinary losses		
Loss on retirement of non-current assets	4	28
Loss on sale of businesses	—	1,716
Total extraordinary losses	4	1,745
Profit before income taxes	7,226	4,287
Income taxes - current	1,597	1,083
Income taxes - deferred	54	171
Total income taxes	1,651	1,255
Profit attributable to	5,574	3,032
Profit attributable to non-controlling interests	603	875
Profit attributable to owners of parent	4,970	2,157

(Quarterly Consolidated Statement of Comprehensive Income)

(Quarterly Consolidated Statement of Comprehensive Income for the First Three Months)

(Millions of yen)

	First three months of FY 12/22 (January 1, 2022 – March 31, 2022)	First three months of FY 12/23 (January 1, 2023 – March 31, 2023)
Profit attributable to owners of parent	5,574	3,032
Other comprehensive income		
Valuation difference on available-for-sale securities	(283)	1,432
Foreign currency translation adjustment	2,219	33
Remeasurements of defined benefit plans	(45)	(17)
Other comprehensive income	1,891	1,447
Comprehensive income	7,465	4,479
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,483	3,518
Comprehensive income attributable to non-controlling interests	982	961

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Concerning Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No.31, June 17, 2021, "Implementation Guidance on Accounting Standard for Fair Value Measurement"), from January 1, 2023, and the new accounting policies stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 27-2 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement."

The application has no impact on the quarterly consolidated financial statements.

(Additional Information)

(Transaction to grant the Company's shares to employees, etc. through a trust)

Based on the resolution at the Board of Directors meeting held on August 7, 2019, the Company introduced "Trust-Type Employee Stock Ownership Plan" ("Plan") with an aim to enhance the Company's welfare program as well as to improve its medium- to long-term corporate value by providing employees with incentives for an increase in stock prices.

(1) Overview of the transaction

The Plan is an incentive plan for all employees in the "Tokyo Ohka Employees Stockholding Association" ("Stockholding Association"). Under the Plan, the Company sets up the "Tokyo Ohka Employee Stockholding Association Trust" ("Stockholding Trust") at a trust bank, and the Stockholding Trust purchases in advance the number of the Company's shares expected to be purchased by the Stockholding Association over five years from the date the trust is set up and sells the shares to the Stockholding Association every month on a certain date. Any gains on sale of shares accumulated in the trust upon expiry of the Stockholding Trust will be distributed as residual assets to those satisfying the beneficiary eligibility requirements. As the Company provides guarantee for the loans payable made by the Stockholding Trust to purchase the Company's shares, the Company is liable to pay the outstanding balance of the loans payable, equivalent to loss on sale of shares accumulated in the Stockholding Trust due to a decline in stock prices, upon expiry of the Stockholding Trust.

The Plan aims to improve our medium- to long-term corporate value by providing employees with incentives for an increase in stock prices and also to support employees' asset building as a measure to enhance our welfare program by promoting purchase and holding of shares through enhancement of the Stockholding Association.

(2) The Company's shares remaining in the Trust

The Company's shares remaining in the Trust are recorded as Treasury shares in Net assets at the carrying amount at the Trust (excluding ancillary expenses). The carrying amount and number of treasury shares as of December 31, 2022 and March 31, 2023 were ¥643 million and 154 thousand shares and ¥615 million and 147 thousand shares, respectively.

(3) The carrying amount of the loans payable recorded under the gross method

FY12/22	¥222 million
First three months of FY12/23	¥222 million

(Revenue Recognition)

Information on the breakdown of revenue arising from contracts with customers

The Group operates a single business segment, and the information on the breakdown of revenue arising from contracts with customers is as follows.

Previously, the information on the breakdown of revenue arising from contracts with customers was classified into two reportable segments of “Material Business” and “Equipment Business,” but we have changed the classification as follows from the three months ended March 31, 2023 following the transfer of “Equipment Business” (excluding certain parts).

As a result of this change, the information on the breakdown of revenue arising from contracts with customers for the three months ended March 31, 2022 was also shown under the new classification.

(Millions of yen)

	First three months of FY 12/22 (January 1, 2022 - March 31, 2022)	First three months of FY 12/23 (January 1, 2023 - March 31, 2023)
Electronic functional materials	21,322	20,437
High-purity chemicals	17,906	17,454
Other	371	570
Revenue from contracts with customers	39,599	38,463
Other revenue	—	—
Net sales to customers	39,599	38,463

(Segment Information)

I First three months of the fiscal year ended December 2022 (January 1, 2022 – March 31, 2022)

1. Information about net sales, income/loss for each reportable segment

Please refer to “II First three months of the fiscal year ending December 2023, 2. Changes, etc. in reportable segments.”

II First three months of the fiscal year ending December 2023 (January 1, 2023 – March 31, 2023)

1. Information about net sales, income/loss for each reportable segment

The disclosure is omitted as the Company operates a single business segment.

2. Changes, etc. in reportable segments

Previously, the Group had two reportable segments of “Material Business” and “Equipment Business,” but it operates the Material Business as a single business segment from the three months ended March 31, 2023.

The change was made based on the review of the segmentation conducted after the Company’s Equipment Business (excluding certain parts) was succeeded to our wholly owned subsidiary Process Equipment Business Split Preparatory Co., Ltd. (“Split Preparatory Company”) through an absorption-type company split and the shares of the Split Preparatory Company were transferred to AIMECHATEC, Ltd. effective March 1, 2023.

As a result of this change, the disclosure of segment information for the three months ended March 31, 2022 and 2023 is omitted.