

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 (Based on Japanese GAAP)

August 8, 2023

Company name: TODA KOGYO CORP.
 Stock exchange listing: Tokyo
 Stock code: 4100 URL <https://www.todakogyo.co.jp>
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 Scheduled date to file Quarterly Securities Report: August 10, 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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, 2023	6,183	(36.3)	(77)	–	711	(39.2)	666	(21.8)
Three months ended June 30, 2022	9,708	18.8	853	33.2	1,170	11.7	852	(9.8)

Note: Comprehensive income Three months ended June 30, 2023: ¥1,226 million [(28.0)%]
 Three months ended June 30, 2022: ¥1,703 million [33.8%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	115.45	114.66
Three months ended June 30, 2022	147.92	146.89

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	52,246	17,790	32.6
As of March 31, 2023	52,016	16,559	30.5

Reference: Equity
 As of June 30, 2023: ¥17,015 million
 As of March 31, 2023: ¥15,842 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, 2023	–	0.00	–	0.00	0.00
Year ending March 31, 2024	–				
Year ending March 31, 2024 (Forecast)		0.00	–	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, 2024 (from April 1, 2023 to March 31, 2024)

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
Six months ending September 30, 2023	12,500	(33.4)	(500)	–	400	(82.5)	300	(80.7)	51.97
Full year	29,000	(17.0)	800	(41.5)	1,500	(55.2)	1,000	(69.4)	173.23

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

2. Please refer to “Notification of Revisions to Forecast of Financial Results” (in Japanese only) released today (August 8, 2023) for information on revisions to forecast of consolidated financial results.

* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2023
(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: No

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 June 30, 2023	6,099,192 shares	As of March 31, 2023	6,099,192 shares
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Number of treasury shares at the end of the period

As of June 30, 2023	326,556 shares	As of March 31, 2023	326,475 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	5,772,671 shares	Three months ended June 30, 2022	5,764,363 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 2 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 three months ended June 30, 2023, there were signs of a gradual recovery in economic activity as restrictions on movement due to the novel coronavirus (COVID-19) were relaxed and socioeconomic activity moved toward normality particularly in terms of increasing flows of people and resurging inbound travel. However, the future remains unclear due to factors that include the protracted war in Ukraine, surging prices worldwide, and risk of downturn in overseas economies as a result of tighter monetary policy in respective nations undertaken to address that scenario.

Under such conditions, the Group encountered challenges due to slow recovery of markets for magnetic materials and other products, and effects of weak demand for ICT devices. In addition, net sales fell year on year as a result of having transferred equity in Toda United Industrial (Zhejiang) Co., Ltd., a former consolidated subsidiary, in December 2022.

The following is a summary for each segment.

For the functional pigments segment, growth fell short of that of the previous fiscal year despite the segment having maintained consistent net sales with respect to materials for copiers and printers as well as materials for catalysts. In addition, net sales fell year on year as a result of having transferred equity in Toda United Industrial (Zhejiang) Co., Ltd.

In the electronic materials segment, net sales increased from the previous fiscal year for bonded rare earth magnet material, which possesses world-class magnetic properties and are mainly for automotive applications. However, inventory adjustments have been persisting with respect to bonded ferrite magnet materials, dielectric materials and other such products. Meanwhile, net sales decreased year on year amid a scenario where growth in sales was not on par with that of the previous fiscal year at the Company’s consolidated subsidiary that manufactures battery-related materials.

Turning to profit, operating profit declined year on year due to high levels of prices for raw materials and energy relative to the previous fiscal year, in addition to the downturn in net sales.

For non-operating income and expenses, despite the Company having encountered factors with a positive effect on earnings such as strong revenues from affiliates accounted for using the equity method and a shift in exchange rates to a weakening yen, ordinary profit and profit attributable to owners of parent decreased year on year due to a downturn in operating profit.

As a result of the above, net sales came to ¥6,183 million (down 36.3% year on year), operating loss came to ¥77 million (compared with operating profit of ¥853 million in the same period of the previous fiscal year), ordinary profit came to ¥711 million (down 39.2% year on year), and profit attributable to owners of parent came to ¥666 million (down 21.8% year on year).

(2) Explanation of Financial Position

Assets

Assets as of June 30, 2023, came to ¥52,246 million, an increase of ¥230 million over the end of the previous fiscal year. This was mainly due to increases of ¥432 million in raw materials and supplies, ¥362 million in property, plant and equipment, and ¥457 million in investments in capital of subsidiaries and associates, despite decreases of ¥1,103 million in cash and deposits and ¥527 million in notes and accounts receivable - trade.

Liabilities

Liabilities as of June 30, 2023, came to ¥34,455 million, a decrease of ¥1,001 million over the end of the previous fiscal year. This was mainly due to decreases of ¥657 million in notes and accounts payable - trade, and ¥232 million in provision for bonuses.

Net assets

Net assets as of June 30, 2023, came to ¥17,790 million, an increase of ¥1,231 million over the end of the previous fiscal year. This was mainly due to ¥666 million in profit attributable to owners of parent, increases of ¥198 million in valuation difference on available-for-sale securities, and ¥268 million in foreign currency translation adjustment.

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

Please refer to “Notification of Revisions to Forecast of Financial Results” (in Japanese only) released today (August 8, 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, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	8,476	7,373
Notes and accounts receivable - trade	7,607	7,080
Merchandise and finished goods	4,581	4,584
Work in process	2,018	2,219
Raw materials and supplies	3,654	4,086
Other	2,136	2,356
Allowance for doubtful accounts	(9)	(10)
Total current assets	28,465	27,689
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,975	2,120
Machinery, equipment and vehicles, net	1,687	2,215
Land	6,326	6,330
Construction in progress	1,019	658
Other, net	508	552
Total property, plant and equipment	11,515	11,877
Intangible assets		
Goodwill	2,355	2,335
Other	133	138
Total intangible assets	2,489	2,474
Investments and other assets		
Investment securities	2,709	2,875
Investments in capital of subsidiaries and associates	6,300	6,757
Other	539	576
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	9,545	10,206
Total non-current assets	23,550	24,557
Total assets	52,016	52,246

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,712	3,055
Short-term borrowings	7,686	7,518
Current portion of long-term borrowings	4,012	4,302
Income taxes payable	230	116
Provision for bonuses	345	113
Other	1,616	1,641
Total current liabilities	17,604	16,747
Non-current liabilities		
Long-term borrowings	14,031	14,077
Long-term accounts payable - other	469	479
Retirement benefit liability	1,896	1,866
Other	1,454	1,284
Total non-current liabilities	17,852	17,708
Total liabilities	35,456	34,455
Net assets		
Shareholders' equity		
Share capital	7,477	7,477
Capital surplus	4,288	4,288
Retained earnings	3,155	3,822
Treasury shares	(1,468)	(1,468)
Total shareholders' equity	13,453	14,119
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	688	886
Foreign currency translation adjustment	1,368	1,636
Remeasurements of defined benefit plans	332	373
Total accumulated other comprehensive income	2,389	2,895
Share acquisition rights	86	91
Non-controlling interests	630	684
Total net assets	16,559	17,790
Total liabilities and net assets	52,016	52,246

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

Consolidated Statements of Income (Cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	9,708	6,183
Cost of sales	7,337	4,901
Gross profit	2,371	1,281
Selling, general and administrative expenses		
Employees' salaries	310	298
Provision for bonuses	50	51
Retirement benefit expenses	21	21
Research and development expenses	309	373
Other	826	614
Total selling, general and administrative expenses	1,517	1,359
Operating profit (loss)	853	(77)
Non-operating income		
Interest income	9	11
Dividend income	32	35
Share of profit of entities accounted for using equity method	91	401
Foreign exchange gains	167	364
Other	78	42
Total non-operating income	379	855
Non-operating expenses		
Interest expenses	59	62
Other	4	3
Total non-operating expenses	63	66
Ordinary profit	1,170	711
Extraordinary income		
Gain on disposal of non-current assets	–	7
Gain on sale of investment securities	–	76
National subsidies	1	–
Compensation income	7	8
Total extraordinary income	8	92
Extraordinary losses		
Loss on disposal of non-current assets	3	7
Loss on sale of investment securities	–	0
Total extraordinary losses	3	7
Profit before income taxes	1,174	795
Income taxes - current	108	68
Income taxes - deferred	77	22
Total income taxes	186	91
Profit	988	704
Profit attributable to non-controlling interests	136	38
Profit attributable to owners of parent	852	666

Consolidated Statements of Comprehensive Income (Cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	988	704
Other comprehensive income		
Valuation difference on available-for-sale securities	(59)	197
Foreign currency translation adjustment	620	224
Remeasurements of defined benefit plans, net of tax	16	41
Share of other comprehensive income of entities accounted for using equity method	137	58
Total other comprehensive income	714	522
Comprehensive income	1,703	1,226
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,465	1,172
Comprehensive income attributable to non-controlling interests	237	54

(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