

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Based on Japanese GAAP)

February 9, 2024

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: February 13, 2024
 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, 2023 (from April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	19,613	(28.7)	231	(80.8)	1,288	(53.1)	1,513	(43.5)
Nine months ended December 31, 2022	27,491	11.4	1,203	(27.0)	2,746	(0.4)	2,677	27.2

Note: Comprehensive income
 Nine months ended December 31, 2023: ¥3,068 million [(24.0)%]
 Nine months ended December 31, 2022: ¥4,036 million [38.6%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	262.05	260.26
Nine months ended December 31, 2022	464.11	460.84

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	57,618	19,459	32.6
As of March 31, 2023	52,016	16,559	30.5

Reference: Equity
 As of December 31, 2023: ¥18,799 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	–	0.00	–	–	–
Year ending March 31, 2024 (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, 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
Full year	26,500	(24.1)	200	(85.4)	1,300	(61.2)	700	(78.6)	121.22

Note: Revisions to the consolidated financial results forecasts most recently announced: No

* Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
Newly included: 1 company (TODA ISU CORPORATION)
- (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 December 31, 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 December 31, 2023	321,885 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)

Nine months ended December 31, 2023	5,775,466 shares	Nine months ended December 31, 2022	5,769,582 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

Index

1. Qualitative Information on Quarterly Financial Results	1
(1) Explanation of Business Results	1
(2) Explanation of Financial Position	1
(3) Explanation of Forecast of Financial Results and Other Forward-looking Statements	1
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	2
(1) Consolidated Balance Sheets	2
(2) Consolidated Statements of Income (Cumulative) and Consolidated Statements of Comprehensive Income (Cumulative)	4
Consolidated Statements of Income (Cumulative).....	4
Consolidated Statements of Comprehensive Income (Cumulative)	5
(3) Notes to Quarterly Consolidated Financial Statements	6
(Notes on Assumption of Going Concern)	6
(Notes When There Are Significant Changes in Amounts of Shareholders' Equity).....	6
(Change in Scope of Application of Equity Method and Scope of Consolidation).....	6

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, 2023, there was a moderate recovery trend in the economy against the backdrop of normalization of socioeconomic activity as a result of the recovery from the COVID-19 pandemic. However, the future remains unclear due to factors that include the growing tension in international affairs, the impacts of rising global prices and monetary tightening, and concerns about a slowdown in the Chinese economy.

Under such conditions, for the functional pigments segment, sales of materials for copiers and printers and materials for catalysts were affected by a delayed recovery in demand in the market. 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, demand for both magnet materials and dielectric materials is gradually recovering from the second half of the fiscal year. In particular, net sales increased from the previous fiscal year for bonded rare earth magnet material, which possesses world-class magnetic properties, mainly for automotive applications. However, net sales for the segment decreased year on year affected by inventory adjustments at the Company’s consolidated subsidiary that manufactures battery-related materials in addition to the two aforementioned materials, due to the delayed market recovery in the first half of the fiscal year.

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 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 and decline in revenues from associates accounted for using the equity method.

As a result of the above, net sales came to ¥19,613 million (down 28.7% year on year), operating profit, ¥231 million (down 80.8% year on year), ordinary profit, ¥1,288 million (down 53.1% year on year), and profit attributable to owners of parent, ¥1,513 million (down 43.5% year on year).

(2) Explanation of Financial Position

Assets

Assets as of December 31, 2023, came to ¥57,618 million, an increase of ¥5,602 million over the end of the previous fiscal year. This was mainly due to increases of ¥1,058 million in notes and accounts receivable - trade, ¥1,082 million in raw materials and supplies, ¥1,661 million in property, plant and equipment, and ¥1,818 million in investments in capital of subsidiaries and associates.

Liabilities

Liabilities as of December 31, 2023, came to ¥38,159 million, an increase of ¥2,703 million over the end of the previous fiscal year. This was mainly due to increases of ¥1,513 million in borrowings and ¥1,896 million in other current liabilities.

Net assets

Net assets as of December 31, 2023, came to ¥19,459 million, an increase of ¥2,900 million over the end of the previous fiscal year. This was mainly due to ¥1,513 million in profit attributable to owners of parent, and increases of ¥461 million in valuation difference on available-for-sale securities and ¥924 million in foreign currency translation adjustment.

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

There is no change to the consolidated earnings forecast for the full-year announced in the “Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023” on November 10, 2023.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	8,476	7,555
Notes and accounts receivable - trade	7,607	8,665
Merchandise and finished goods	4,581	4,617
Work in process	2,018	2,517
Raw materials and supplies	3,654	4,736
Other	2,136	1,840
Allowance for doubtful accounts	(9)	(52)
Total current assets	28,465	29,880
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,975	2,484
Machinery, equipment and vehicles, net	1,687	2,997
Land	6,326	6,338
Construction in progress	1,019	694
Other, net	508	661
Total property, plant and equipment	11,515	13,176
Intangible assets		
Goodwill	2,355	2,640
Other	133	181
Total intangible assets	2,489	2,821
Investments and other assets		
Investment securities	2,709	3,048
Investments in capital of subsidiaries and associates	6,300	8,118
Other	539	577
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	9,545	11,740
Total non-current assets	23,550	27,738
Total assets	52,016	57,618

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,712	3,224
Short-term borrowings	7,686	8,503
Current portion of long-term borrowings	4,012	4,648
Income taxes payable	230	89
Provision for bonuses	345	88
Other	1,616	3,512
Total current liabilities	17,604	20,067
Non-current liabilities		
Long-term borrowings	14,031	14,091
Long-term accounts payable - other	469	115
Retirement benefit liability	1,896	2,380
Other	1,454	1,503
Total non-current liabilities	17,852	18,092
Total liabilities	35,456	38,159
Net assets		
Shareholders' equity		
Share capital	7,477	7,477
Capital surplus	4,288	4,310
Retained earnings	3,155	4,669
Treasury shares	(1,468)	(1,447)
Total shareholders' equity	13,453	15,009
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	688	1,149
Foreign currency translation adjustment	1,368	2,292
Remeasurements of defined benefit plans	332	349
Total accumulated other comprehensive income	2,389	3,790
Share acquisition rights	86	92
Non-controlling interests	630	566
Total net assets	16,559	19,459
Total liabilities and net assets	52,016	57,618

(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, 2022	Nine months ended December 31, 2023
Net sales	27,491	19,613
Cost of sales	21,623	15,061
Gross profit	5,867	4,551
Selling, general and administrative expenses		
Employees' salaries	922	879
Provision for bonuses	153	142
Retirement benefit expenses	73	81
Research and development expenses	985	1,151
Other	2,528	2,065
Total selling, general and administrative expenses	4,663	4,320
Operating profit	1,203	231
Non-operating income		
Interest income	32	39
Dividend income	58	64
Share of profit of entities accounted for using equity method	1,349	789
Foreign exchange gains	140	314
Other	184	96
Total non-operating income	1,765	1,304
Non-operating expenses		
Interest expenses	200	220
Other	21	26
Total non-operating expenses	222	246
Ordinary profit	2,746	1,288
Extraordinary income		
Gain on disposal of non-current assets	4	11
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	-	76
Gain on step acquisitions	-	475
National subsidies	1	-
Compensation income	36	162
Total extraordinary income	1,088	726
Extraordinary losses		
Loss on disposal of non-current assets	55	52
Compensation expenses	76	-
Other	-	0
Total extraordinary losses	131	52
Profit before income taxes	3,703	1,962
Income taxes - current	490	223
Income taxes - deferred	91	126
Total income taxes	582	350
Profit	3,121	1,612
Profit attributable to non-controlling interests	443	98
Profit attributable to owners of parent	2,677	1,513

Consolidated Statements of Comprehensive Income (Cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	3,121	1,612
Other comprehensive income		
Valuation difference on available-for-sale securities	(11)	461
Foreign currency translation adjustment	671	786
Remeasurements of defined benefit plans, net of tax	(19)	17
Share of other comprehensive income of entities accounted for using equity method	273	191
Total other comprehensive income	914	1,456
Comprehensive income	4,036	3,068
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,389	2,914
Comprehensive income attributable to non-controlling interests	646	153

(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

During the third quarter ended December 31, 2023, the Company acquired a majority of the total voting rights of TODA ISU CORPORATION, which had been an associate accounted for using the equity method, through the conversion of class shares held by the Company into common shares. As a result, the said company and one of its subsidiaries were included in the scope of consolidation. Since the Group has established December 31, 2023 as the deemed acquisition date, only the said company's balance sheet as of December 31, 2023 is consolidated for the nine months ended December 31, 2023, and the said company's operating results are not included in the quarterly consolidated statement of income.

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 third quarter ended December 31, 2023 belongs.

Contemplated effects include an increase of total assets in the consolidated balance sheet.