

Translation

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

November 10, 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: November 14, 2023
 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, 2023 (from April 1, 2023 to September 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	%
Six months ended September 30, 2023	12,674	(32.4)	(11)	–	970	(57.5)	801	(48.5)
Six months ended September 30, 2022	18,760	17.4	1,164	(7.5)	2,286	22.5	1,554	0.2

Note: Comprehensive income Six months ended September 30, 2023: ¥1,798 million [(45.4)%]
 Six months ended September 30, 2022: ¥3,291 million [64.2%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	138.71	137.79
Six months ended September 30, 2022	269.43	267.61

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	53,998	18,151	32.5
As of March 31, 2023	52,016	16,559	30.5

Reference: Equity
 As of September 30, 2023: ¥17,525 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

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

2. 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, 2023, and Revisions to Our Full-year Forecast of Consolidated Financial Results” (in Japanese only) released today (November 10, 2023) for information on revisions to forecast of financial results.

* Notes

(1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2023	321,855 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)

Six months ended September 30, 2023	5,774,672 shares	Six months ended September 30, 2022	5,768,149 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)

Supplementary material on financial results will be posted on the Company’s website on December 12, 2023.

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, 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 instability in international affairs, concerns about the future of the Chinese economy, 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, 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, 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, sales of dielectric materials were affected by inventory adjustments mainly due to delayed market recovery and weak demand for ICT devices. Meanwhile, net sales decreased year on year affected by fluctuations in demand 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 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 ¥12,674 million (down 32.4% year on year), operating loss came to ¥11 million (compared with operating profit of ¥1,164 million in the same period of the previous fiscal year), ordinary profit came to ¥970 million (down 57.5% year on year), and profit attributable to owners of parent came to ¥801 million (down 48.5% year on year).

(2) Explanation of Financial Position

Assets

Assets as of September 30, 2023, came to ¥53,998 million, an increase of ¥1,982 million over the end of the previous fiscal year. This was mainly due to increases of ¥564 million in notes and accounts receivable - trade, ¥633 million in raw materials and supplies, ¥518 million in property, plant and equipment, ¥275 million in goodwill, and ¥769 million in investments in capital of subsidiaries and associates, despite a decrease of ¥767 million in cash and deposits.

Liabilities

Liabilities as of September 30, 2023, came to ¥35,847 million, an increase of ¥391 million over the end of the previous fiscal year. This was mainly due to increases of ¥1,420 million in borrowings and ¥505 million in other under non-current liabilities, despite decreases of ¥556 million in notes and accounts payable - trade, ¥313 million in other under current liabilities, and ¥356 million in long-term accounts payable - other.

Net assets

Net assets as of September 30, 2023, came to ¥18,151 million, an increase of ¥1,592 million over the end of the previous fiscal year. This was mainly due to ¥801 million in profit attributable to owners of parent, and increases of ¥249 million in valuation difference on available-for-sale securities and ¥583 million in foreign currency translation adjustment.

(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, 2023, and Revisions to Our Full-year Forecast of Consolidated Financial Results” (in Japanese only) released today (November 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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	8,476	7,709
Notes and accounts receivable - trade	7,607	8,171
Merchandise and finished goods	4,581	4,360
Work in process	2,018	2,141
Raw materials and supplies	3,654	4,287
Other	2,136	2,058
Allowance for doubtful accounts	(9)	(10)
Total current assets	28,465	28,717
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,975	2,206
Machinery, equipment and vehicles, net	1,687	2,299
Land	6,326	6,332
Construction in progress	1,019	632
Other, net	508	561
Total property, plant and equipment	11,515	12,033
Intangible assets		
Goodwill	2,355	2,630
Other	133	149
Total intangible assets	2,489	2,779
Investments and other assets		
Investment securities	2,709	2,822
Investments in capital of subsidiaries and associates	6,300	7,069
Other	539	579
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	9,545	10,468
Total non-current assets	23,550	25,281
Total assets	52,016	53,998

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,712	3,156
Short-term borrowings	7,686	7,812
Current portion of long-term borrowings	4,012	4,585
Income taxes payable	230	119
Provision for bonuses	345	220
Other	1,616	1,303
Total current liabilities	17,604	17,197
Non-current liabilities		
Long-term borrowings	14,031	14,752
Long-term accounts payable - other	469	113
Retirement benefit liability	1,896	1,824
Other	1,454	1,959
Total non-current liabilities	17,852	18,649
Total liabilities	35,456	35,847
Net assets		
Shareholders' equity		
Share capital	7,477	7,477
Capital surplus	4,288	4,277
Retained earnings	3,155	3,957
Treasury shares	(1,468)	(1,447)
Total shareholders' equity	13,453	14,264
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	688	937
Foreign currency translation adjustment	1,368	1,951
Remeasurements of defined benefit plans	332	371
Total accumulated other comprehensive income	2,389	3,260
Share acquisition rights	86	86
Non-controlling interests	630	539
Total net assets	16,559	18,151
Total liabilities and net assets	52,016	53,998

(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, 2022	Six months ended September 30, 2023
Net sales	18,760	12,674
Cost of sales	14,459	9,861
Gross profit	4,300	2,812
Selling, general and administrative expenses		
Employees' salaries	609	582
Provision for bonuses	116	96
Retirement benefit expenses	43	53
Research and development expenses	654	762
Other	1,712	1,328
Total selling, general and administrative expenses	3,135	2,823
Operating profit (loss)	1,164	(11)
Non-operating income		
Interest income	18	28
Dividend income	32	35
Share of profit of entities accounted for using equity method	736	568
Foreign exchange gains	319	417
Other	158	68
Total non-operating income	1,265	1,117
Non-operating expenses		
Interest expenses	122	128
Other	21	7
Total non-operating expenses	143	135
Ordinary profit	2,286	970
Extraordinary income		
Gain on disposal of non-current assets	0	9
Gain on change in equity	60	–
Gain on sale of investment securities	–	76
National subsidies	1	–
Compensation income	16	97
Total extraordinary income	78	183
Extraordinary losses		
Loss on disposal of non-current assets	26	42
Loss on sale of investment securities	–	0
Compensation expenses	76	–
Total extraordinary losses	103	43
Profit before income taxes	2,261	1,111
Income taxes - current	234	137
Income taxes - deferred	147	84
Total income taxes	382	222
Profit	1,879	889
Profit attributable to non-controlling interests	325	88
Profit attributable to owners of parent	1,554	801

Consolidated Statements of Comprehensive Income (Cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	1,879	889
Other comprehensive income		
Valuation difference on available-for-sale securities	(16)	249
Foreign currency translation adjustment	1,145	491
Remeasurements of defined benefit plans, net of tax	8	39
Share of other comprehensive income of entities accounted for using equity method	274	129
Total other comprehensive income	1,411	909
Comprehensive income	3,291	1,798
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,762	1,673
Comprehensive income attributable to non-controlling interests	529	125

(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