

Translation

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**Summary of Consolidated Financial Results
for the Three Months Ended June 30, 2022
(Based on Japanese GAAP)**

August 8, 2022

Company name: TODA KOGYO CORP.
 Stock exchange listing: Tokyo
 Stock code: 4100 URL <https://www.todakogyo.co.jp>
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 Department
 Scheduled date to file Quarterly Securities Report: August 10, 2022
 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, 2022 (from April 1, 2022 to June 30, 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	%
Three months ended June 30, 2022	9,708	18.8	853	33.2	1,170	11.7	852	(9.8)
Three months ended June 30, 2021	8,172	–	640	–	1,047	–	945	–

Note: Comprehensive income Three months ended June 30, 2022: ¥1,703 million [33.8%]
 Three months ended June 30, 2021: ¥1,273 million [–%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	147.92	146.89
Three months ended June 30, 2021	164.10	163.21

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 three months ended June 30, 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 June 30, 2022	53,637	15,665	25.9
As of March 31, 2022	51,292	13,958	24.2

Reference: Equity
 As of June 30, 2022: ¥13,892 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	–	–	–	–	–
Year ending March 31, 2023 (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, 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
Six months ending September 30, 2022	18,500	15.7	1,100	(12.7)	1,600	(14.3)	1,000	(35.5)	173.48
Full year	40,000	13.2	1,600	(36.5)	2,500	(40.3)	1,500	(51.9)	260.22

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, 2022) for information on revisions to forecast of consolidated financial results.

* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 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 June 30, 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 June 30, 2022	334,983 shares	As of March 31, 2022	334,712 shares
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Average number of shares during the period

Three months ended June 30, 2022	5,764,363 shares	Three months ended June 30, 2021	5,763,291 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 are 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 three months ended June 30, 2022, restrictions on movement imposed because of COVID-19 continued to loosen, and there were signs that economic activity was normalizing. However, due to the risk of flareups in infections because of the appearance of new virus variants, the continuing war in Ukraine, hikes in the price of raw materials and energy, sudden changes in exchange rates, and similar items, the future outlook is even more uncertain.

Under such conditions, during the three months under review, demand for various products were generally firm, and sales were strong. Furthermore, net sales rose year on year for various reasons, including the weakening of the yen.

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, sales were strong, especially those of magnetic materials, a core business, despite delays in orders for some products as a result of the global shortage of semiconductors and other developments. In particular, there was an increase in demand for bonded rare earth magnet material, which possesses world-class magnetic properties, because it is mainly used in car motors. Additionally, Jiangmen & Partner’s Magnetic Product Co., Ltd., which was turned into a subsidiary on July 1, 2021, was added to the scope of consolidation (included in statement of income starting from the third quarter of the previous fiscal year). For these reasons, net sales rose year on year.

Turning to profit, despite the impact of increases in the cost of raw materials and energy and transport expenses, marginal profit rose as net sales increased.

Turning to non-operating income and expenses, foreign exchange gains of ¥167 million were recorded as a result of the sudden weakening of the yen, but revenues from affiliates accounted for using the equity method fell year on year.

As a result of the above, net sales came to ¥9,708 million (up 18.8% year on year), operating profit, ¥853 million (up 33.2% year on year), ordinary profit, ¥1,170 million (up 11.7% year on year), and profit attributable to owners of parent, ¥852 million (down 9.8% year on year).

(2) Explanation of Financial Position

Assets

Assets as of June 30, 2022, came to ¥53,637 million, an increase of ¥2,345 million over the end of the previous fiscal year. This was mainly due to an increase of ¥673 million in cash and deposits, an increase of ¥1,378 million in raw materials and supplies, an increase of ¥347 million in property, plant and equipment, and an increase of ¥285 million in other under investments and other assets despite a decrease of ¥436 million in notes and accounts receivable - trade.

Liabilities

Liabilities as of June 30, 2022, came to ¥37,971 million, an increase of ¥638 million over the end of the previous fiscal year. This was mainly due to an increase of ¥794 million in borrowings despite a decrease of ¥184 in provision for bonuses.

Net assets

Net assets as of June 30, 2022, came to ¥15,665 million, an increase of ¥1,707 million over the end of the previous fiscal year. This was mainly due to ¥852 million in profit attributable to owners of parent, an increase of ¥656 million in foreign currency translation adjustment, and an increase of ¥234 million in non-controlling interests.

(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, 2022) 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 June 30, 2022
Assets		
Current assets		
Cash and deposits	7,962	8,635
Notes and accounts receivable - trade	10,524	10,088
Merchandise and finished goods	4,423	4,201
Work in process	1,973	2,117
Raw materials and supplies	3,023	4,401
Other	1,480	1,636
Allowance for doubtful accounts	(6)	(6)
Total current assets	29,381	31,074
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,324	2,421
Machinery, equipment and vehicles, net	1,707	1,878
Land	6,320	6,324
Construction in progress	224	287
Other, net	783	797
Total property, plant and equipment	11,361	11,708
Intangible assets		
Goodwill	1,992	2,069
Other	154	149
Total intangible assets	2,147	2,218
Investments and other assets		
Investment securities	2,607	2,555
Other	5,797	6,082
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	8,401	8,635
Total non-current assets	21,910	22,562
Total assets	51,292	53,637

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,714	5,597
Short-term borrowings	8,601	8,639
Current portion of long-term borrowings	3,278	3,257
Income taxes payable	278	221
Provision for bonuses	295	111
Provision for environmental measures	67	74
Provision for loss on factory closings	11	–
Other	2,029	2,073
Total current liabilities	20,276	19,976
Non-current liabilities		
Long-term borrowings	12,782	13,559
Long-term accounts payable - other	940	1,003
Retirement benefit liability	1,912	1,889
Other	1,421	1,543
Total non-current liabilities	17,056	17,995
Total liabilities	37,333	37,971
Net assets		
Shareholders' equity		
Share capital	7,477	7,477
Capital surplus	4,358	4,358
Retained earnings	(112)	739
Treasury shares	(1,507)	(1,508)
Total shareholders' equity	10,215	11,067
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	633	573
Foreign currency translation adjustment	1,320	1,976
Remeasurements of defined benefit plans	258	275
Total accumulated other comprehensive income	2,211	2,825
Share acquisition rights	88	95
Non-controlling interests	1,443	1,677
Total net assets	13,958	15,665
Total liabilities and net assets	51,292	53,637

(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, 2021	Three months ended June 30, 2022
Net sales	8,172	9,708
Cost of sales	6,290	7,337
Gross profit	1,882	2,371
Selling, general and administrative expenses		
Employees' salaries	292	310
Research and development expenses	269	309
Other	679	898
Total selling, general and administrative expenses	1,241	1,517
Operating profit	640	853
Non-operating income		
Interest income	9	9
Dividend income	21	32
Share of profit of entities accounted for using equity method	390	91
Subsidies for employment adjustment	19	–
Foreign exchange gains	–	167
Other	54	78
Total non-operating income	497	379
Non-operating expenses		
Interest expenses	46	59
Foreign exchange losses	12	–
Other	31	4
Total non-operating expenses	90	63
Ordinary profit	1,047	1,170
Extraordinary income		
Gain on disposal of non-current assets	0	–
Gain on sale of investment securities	39	–
National subsidies	20	1
Compensation income	–	7
Total extraordinary income	60	8
Extraordinary losses		
Loss on disposal of non-current assets	9	3
Loss on tax purpose reduction entry of non-current assets	16	–
Total extraordinary losses	25	3
Profit before income taxes	1,082	1,174
Income taxes - current	62	108
Income taxes - deferred	44	77
Total income taxes	106	186
Profit	976	988
Profit attributable to non-controlling interests	30	136
Profit attributable to owners of parent	945	852

Consolidated Statements of Comprehensive Income (Cumulative)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	976	988
Other comprehensive income		
Valuation difference on available-for-sale securities	(163)	(59)
Foreign currency translation adjustment	339	620
Remeasurements of defined benefit plans, net of tax	3	16
Share of other comprehensive income of entities accounted for using equity method	117	137
Total other comprehensive income	296	714
Comprehensive income	1,273	1,703
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,180	1,465
Comprehensive income attributable to non-controlling interests	92	237

(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

(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.