

Translation

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## Summary of Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)

May 13, 2022

Company name: TODA KOGYO CORP.  
 Stock exchange listing: Tokyo  
 Stock code: 4100 URL <https://www.todakogyo.co.jp>  
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 Scheduled date of ordinary general meeting of shareholders: June 28, 2022  
 Scheduled date to file Securities Report: June 29, 2022  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes (Via video streaming - scheduled)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

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	%
Year ended March 31, 2022	35,332	–	2,519	–	4,184	–	3,116	–
Year ended March 31, 2021	29,024	(12.4)	11	–	(600)	–	(4,142)	–

Note: Comprehensive income Year ended March 31, 2022: ¥4,810 million [–%]  
 Year ended March 31, 2021: ¥(3,195) million [–%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2022	540.59	537.04	30.3	9.0	7.1
Year ended March 31, 2021	(718.76)	–	(42.2)	(1.4)	0.0

Reference: Share of profit (loss) of entities accounted for using equity method  
 Year ended March 31, 2022: ¥1,520 million  
 Year ended March 31, 2021: ¥(831) million

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 current fiscal year, and each figure for the fiscal year ended March 31, 2022, is the figure after applying the accounting standard and relevant ASBJ regulations. The percentage change from the previous fiscal year 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	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	51,292	13,958	24.2	2,155.82
As of March 31, 2021	41,783	9,375	19.5	1,411.60

Reference: Equity  
 As of March 31, 2022: ¥12,427 million  
 As of March 31, 2021: ¥8,135 million

Note: 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 current fiscal year, and each figure for the fiscal year ended March 31, 2022, is the figure after applying the accounting standard and relevant ASBJ regulations.

## (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2022	903	(1,138)	913	7,527
Year ended March 31, 2021	612	(1,219)	1,416	6,492

## 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ended March 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ending March 31, 2023 (Forecast)	–	0.00	–	0.00	0.00		–	

## 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	19,000	18.9	800	(36.5)	1,200	(35.7)	700	(54.9)	121.44
Full year	40,000	13.2	1,600	(36.5)	2,500	(40.3)	1,500	(51.9)	260.22

## \* Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2022	6,099,192 shares	As of March 31, 2021	6,099,192 shares
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Number of treasury shares at the end of the period

As of March 31, 2022	334,712 shares	As of March 31, 2021	335,871 shares
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Average number of shares during the period

Year ended March 31, 2022	5,764,281 shares	Year ended March 31, 2021	5,763,677 shares
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[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2022	17,033	–	833	–	1,231	–	1,598	–
Year ended March 31, 2021	17,284	(17.5)	(760)	–	(650)	–	(3,541)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended March 31, 2022	277.35		275.53	
Year ended March 31, 2021	(614.51)		–	

Note: 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 current fiscal year, and each figure for the fiscal year ended March 31, 2022, is the figure after applying the accounting standard and relevant ASBJ regulations. The percentage change from the previous fiscal year is not shown for net sales that are significantly impacted by the application of the accounting standard.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	38,647	9,022	23.1	1,549.88
As of March 31, 2021	35,299	7,556	21.2	1,299.63

Reference: Equity

As of March 31, 2022: ¥8,934 million

As of March 31, 2021: ¥7,490 million

Note: 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 current fiscal year, and each figure for the fiscal year ended March 31, 2022, is the figure after applying the accounting standard and relevant ASBJ regulations.

\* Financial results reports are exempt from audit 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 forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. Please refer to the section of “(4) Future Outlook” of “1. Summary of Operating Results, Etc.” on page 4 of Attached Material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(Method of accessing supplementary material on financial results and contents of financial results meeting)

Supplementary material on financial results will be posted on the Company’s website on June 7, 2022.

In order to prevent the spread of the novel coronavirus disease (COVID-19), instead of holding the usual financial results meeting, the Company plans to post a video of the financial results on its website on or after June 7, as soon as such material is ready.

## Attached Material

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## 1. Summary of Operating Results, Etc.

### (1) Summary of Operating Results for Fiscal Year Under Review

In the business environment surrounding the TODA KOGYO Group (the “Group”) during the fiscal year ended March 31, 2022 (the “fiscal year under review”), restrictions on behavior were relaxed due largely to global developments in vaccinations for the novel coronavirus (COVID-19), and there was a visible recovery in economic conditions. However, due to the appearance of new virus variants and the resulting resurgence in COVID-19, the situation surrounding the future continues to be unclear.

Additionally, due to the situation in Ukraine, the stagnation of economic activity globally, including further rises in the prices of raw materials and energy, is a worry.

Under such conditions, during the fiscal year under review, demand recovered both domestically and overseas against the backdrop of the recovery of the global economy, and sales were strong.

In terms of profit, while it is being impacted by the rise in marine transport expenses due to the container shortages as well as in the price of raw materials and energy, the Group experienced an increase in marginal profit in line with an increase in net sales and growth in sales of products with high profit margins. In addition, during the previous fiscal year, as demand for finished goods by the Group was sluggish due to the COVID-19 pandemic, the Group was forced to make groupwide production adjustments. During the fiscal year under review, however, productivity increased due to stable operation.

As a result of the above, net sales came to ¥35,332 million and operating profit came to ¥2,519 million (operating profit of ¥11 million in the previous fiscal year).

For non-operating income and expenses, revenues from affiliates accounted for using the equity method progressed on a favorable note. As a result, the Group posted ¥1,520 million in the share of profit of entities accounted for using the equity method. And the exchange rate veering toward depreciation of the yen, the Group posted foreign exchange gains of ¥151 million. Largely due to this, ordinary profit came to ¥4,184 million (ordinary loss of ¥600 million in the previous fiscal year) and profit attributable to owners of parent came to ¥3,116 million (loss attributable to owners of parent of ¥4,142 million in the previous fiscal year).

- Notes: 1 The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review. In line with this, while the Group had originally recognized the total amount of consideration that it receives from customers as revenues for some transactions, it has changed to the method of recognizing revenues based on the net amount. As a result, compared to the original posting method (total amount of consideration), net sales for the fiscal year under review decreased by ¥4,643 million. Accordingly, the Group has not indicated year-on-year comparisons (%) for net sales.
- 2 In the fiscal year under review, the Company has included Jiangmen & Partner’s Magnetic Product Co., Ltd. in its scope of consolidation due to converting it into a subsidiary after acquiring a stake in it. Note that the closing date for Jiangmen & Partner’s Magnetic Product Co., Ltd.’s settlement of accounts is December 31, differing by three months from the closing date of the Group’s consolidated settlement of accounts. Because the Group has established July 1, 2021 as the deemed acquisition date, operating results for the period from July 1, 2021 to December 31, 2021 have been included in the consolidated statement of income for the fiscal year under review.

The status of each segment is as follows.

#### *Functional pigments*

Net sales in general progressed favorably relative to the previous fiscal year. In particular, materials for copiers and printers slumped in the previous fiscal year due to the impact of suppression of economic and social activity largely as a result of government orders prohibiting people from venturing outdoors and businesses suspending their operation, but recovered considerably in the fiscal year under review. Additionally, materials for coatings and catalysts that performed favorably due to the recovery in demand. As a result of the above, net sales came to ¥13,568 million and segment profit came to ¥2,124 million, an increase of 68.9% year on year.

Note that in line with the application of the “Accounting Standard for Revenue Recognition” and relevant ASBJ regulations, the amount of net sales posted for certain transactions has been changed from the total

amount of consideration to the net amount. Due to the impact of this, relative to the original posting method (total amount of consideration), net sales for the fiscal year under review decreased by ¥1,702 million.

#### *Electronic materials*

Due to progress in CASE trends in the automobile market and the increased popularization of Information and Communication Technologies in the market, sales of electronic materials, particularly those of magnetic and dielectric materials (barium titanate), grew over the previous fiscal year. Up to now, magnet materials have been mainly used in motors for automobiles and household appliances. However, in line with the electrification of automobiles in particular, demand for those materials has grown. Additionally, the acquisition of Jiangmen & Partner's Magnetic Product Co., Ltd. into a subsidiary also contributed to increases in revenue and profit. For dielectric materials as well, there was healthy demand for their use in multilayer ceramic capacitors, which are often contained in ICT devices and EVs. As a result of the above, net sales came to ¥22,226 million and segment profit came to ¥3,285 million, an increase of 118.2% year on year.

Note that in line with the application of the "Accounting Standard for Revenue Recognition" and relevant ASBJ regulations, the amount of net sales posted for certain transactions has been changed from the total amount of consideration to the net amount. Due to the impact of this, relative to the original posting method (total amount of consideration), net sales for the fiscal year under review decreased by ¥2,941 million.

## **(2) Summary of Financial Position for Fiscal Year Under Review**

### *Assets*

Assets at the end of the fiscal year under review came to ¥51,292 million, an increase of ¥9,509 million over the end of the previous fiscal year. This was mainly due to an increase of ¥1,333 million in cash and deposits, an increase of ¥2,344 million in notes and accounts receivable - trade, an increase of ¥1,061 million in merchandise and finished goods, an increase of ¥877 million in raw materials and supplies, an increase of ¥1,992 million in goodwill, and an increase of ¥1,702 million in investments in capital of subsidiaries and associates.

### *Liabilities*

Liabilities at the end of the fiscal year under review came to ¥37,333 million, an increase of ¥4,925 million over the end of the previous fiscal year. This was mainly due to an increase of ¥1,719 million in notes and accounts payable - trade, an increase of ¥1,463 million in borrowings, and an increase of ¥940 million in long-term accounts payable - other.

### *Net assets*

Net assets at the end of the fiscal year under review came to ¥13,958 million, an increase of ¥4,583 million over the end of the previous fiscal year. This was mainly due to an increase of ¥3,116 million in profit attributable to owners of parent and an increase of ¥1,039 million in foreign currency translation adjustments.

As a result of the above, net assets per share increased by ¥744.22 year-on-year to ¥2,155.82 and the equity ratio increased by 4.7 points year-on-year to 24.2%.

## **(3) Summary of Cash Flow for Fiscal Year Under Review**

Cash and cash equivalents ("cash") at the end of the fiscal year under review came to ¥7,527 million, an increase of ¥1,034 million over the end of the previous fiscal year.

The status of each cash flow in the fiscal year under review is as follows.

### *Cash flows from operating activities*

Net cash provided by operating activities totaled ¥903 million (compared to ¥612 million provided in the previous fiscal year). This was mainly due to an increase in cash largely resulting from ¥4,031 million in profit before income taxes, ¥687 million in depreciation and ¥881 million in an increase (decrease) in trade payables, which exceeded a decrease in cash largely resulting from ¥1,520 million in share of loss (profit) of entities accounted for using equity method, ¥1,285 million in a decrease (increase) in trade receivables, and ¥1,837 million in a decrease (increase) in inventories.

#### *Cash flows from investing activities*

Net cash used in investing activities came to ¥1,138 million (compared to ¥1,219 million used in the previous fiscal year). This was mainly due to a decrease in cash largely resulting from ¥1,893 million in payments for investments in capital of subsidiaries and associates and ¥719 million in the purchase of property, plant and equipment, which exceeded an increase in cash largely resulting from ¥859 million in proceeds from sale of investment securities and ¥753 million in proceeds from refund of leasehold and guarantee deposits.

#### *Cash flows from financing activities*

Net cash provided by financing activities came to ¥913 million (down from ¥1,416 million in the previous fiscal year). This was mainly due to an increase in cash largely resulting from ¥6,333 million in proceeds from long-term borrowings, which exceeded a decrease in cash largely resulting from ¥889 million in a net decrease in short-term borrowings, ¥4,145 million in repayments of long-term loans payable and others, and ¥206 million in interest paid.

#### **(4) Future Outlook**

Regarding the future economic outlook, it is expected that turmoil in supply chains due to the spreading of novel coronavirus (COVID-19) variants, rising raw material and energy prices due to the situation in Ukraine, concern surrounding further inflation and other factors will cause the situation to remain unclear for the time being despite progress in the steady normalization of economic activity in certain regions due to vaccinations for COVID-19 and government policy in each country.

In the business environment surrounding the Group, while there is worry of elements such as the impact that the global semiconductor shortage will have on the automobile market and the stagnation of economic activity that city lockdowns in China will cause, it is anticipated that progress in CASE trends in the automobile market and the increased popularization of Information and Communication Technologies in the market will result in further growth in the size of those markets, causing heightened demand for the Group's products. In particular, the electronic materials business is expected to experience growth centered on magnetic and dielectric materials. At the same time, in terms of profit, there are concerns largely surrounding the rise in raw material and energy prices and exchange rate fluctuations, which require a cautious outlook.

Based on such conditions, for its consolidated operating results forecast for the fiscal year ending March 31, 2023, the Group is forecasting net sales of ¥40,000 million, operating profit of ¥1,600 million yen, ordinary profit of ¥2,500 million, and profit attributable to owners of parent of ¥1,500 million.

## **2. Basic Approach to Selection of Accounting Standards**

Considering the possibility of comparing financial periods and making company-to-company comparisons on consolidated financial statements, the Group's policy for the time being will be to prepare consolidated financial statements based on Japanese standards. Note that the policy of the Group with respect to the application of International Financial Reporting Standards (IFRS) is to comply with them appropriately after taking various domestic and overseas circumstances into consideration.

### 3. Consolidated Financial Statements and Significant Notes Thereto

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	6,629	7,962
Notes and accounts receivable - trade	8,180	10,524
Merchandise and finished goods	3,362	4,423
Work in process	1,409	1,973
Raw materials and supplies	2,146	3,023
Other	1,342	1,480
Allowance for doubtful accounts	(6)	(6)
Total current assets	23,065	29,381
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,340	2,324
Machinery, equipment and vehicles, net	1,294	1,707
Land	6,317	6,320
Construction in progress	177	224
Other, net	578	783
Total property, plant and equipment	10,709	11,361
Intangible assets		
Goodwill	–	1,992
Other	200	154
Total intangible assets	200	2,147
Investments and other assets		
Investment securities	3,526	2,607
Investments in capital of subsidiaries and associates	2,741	4,443
Long-term loans receivable	689	1,027
Retirement benefit asset	–	161
Other	853	165
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	7,807	8,401
Total non-current assets	18,718	21,910
Total assets	41,783	51,292



(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	3,995	5,714
Short-term borrowings	9,372	8,601
Current portion of long-term borrowings	3,756	3,278
Income taxes payable	165	278
Provision for bonuses	259	295
Provision for environmental measures	60	67
Provision for loss on factory closings	80	11
Other	1,359	2,029
<b>Total current liabilities</b>	<b>19,051</b>	<b>20,276</b>
<b>Non-current liabilities</b>		
Long-term borrowings	10,070	12,782
Long-term accounts payable - other	–	940
Retirement benefit liability	2,080	1,912
Deferred tax liabilities	878	974
Other	327	446
<b>Total non-current liabilities</b>	<b>13,356</b>	<b>17,056</b>
<b>Total liabilities</b>	<b>32,408</b>	<b>37,333</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	7,477	7,477
Capital surplus	4,344	4,358
Retained earnings	(3,224)	(112)
Treasury shares	(1,513)	(1,507)
<b>Total shareholders' equity</b>	<b>7,083</b>	<b>10,215</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	779	633
Foreign currency translation adjustment	281	1,320
Remeasurements of defined benefit plans	(9)	258
<b>Total accumulated other comprehensive income</b>	<b>1,052</b>	<b>2,211</b>
Share acquisition rights	66	88
Non-controlling interests	1,173	1,443
<b>Total net assets</b>	<b>9,375</b>	<b>13,958</b>
<b>Total liabilities and net assets</b>	<b>41,783</b>	<b>51,292</b>

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

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	29,024	35,332
Cost of sales	24,246	27,328
Gross profit	4,778	8,003
Selling, general and administrative expenses		
Freight-out	529	756
Employees' salaries and allowances	1,018	1,349
Provision for bonuses	56	72
Retirement benefit expenses	94	87
Depreciation	160	177
Research and development expenses	1,274	1,258
Other	1,632	1,783
Total selling, general and administrative expenses	4,766	5,484
Operating profit	11	2,519
Non-operating income		
Interest income	38	42
Dividend income	52	40
Rental income	41	38
Foreign exchange gains	34	151
Share of profit of entities accounted for using equity method	–	1,520
Subsidies for employment adjustment	181	20
Miscellaneous income	115	155
Total non-operating income	464	1,969
Non-operating expenses		
Interest expenses	214	206
Share of loss of entities accounted for using equity method	831	–
Miscellaneous losses	30	97
Total non-operating expenses	1,076	304
Ordinary profit (loss)	(600)	4,184
Extraordinary income		
Gain on disposal of non-current assets	8	13
Gain on sale of investment securities	1	40
National subsidies	–	20
Compensation income	–	90
Total extraordinary income	10	165

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Extraordinary losses		
Loss on disposal of non-current assets	63	72
Loss on tax purpose reduction entry of non-current assets	–	16
Loss on sale of investment securities	–	4
Loss on valuation of investment securities	739	–
Impairment losses	2,223	178
Loss on liquidation of subsidiaries	–	46
Provision for loss on factory closings	77	–
Total extraordinary losses	3,104	318
Profit (loss) before income taxes	(3,694)	4,031
Income taxes - current	240	385
Income taxes - deferred	42	153
Total income taxes	283	538
Profit (loss)	(3,977)	3,492
Profit attributable to non-controlling interests	165	376
Profit (loss) attributable to owners of parent	(4,142)	3,116

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit (loss)	(3,977)	3,492
Other comprehensive income		
Valuation difference on available-for-sale securities	578	(146)
Foreign currency translation adjustment	127	906
Remeasurements of defined benefit plans, net of tax	49	267
Share of other comprehensive income of entities accounted for using equity method	26	290
Total other comprehensive income	781	1,318
Comprehensive income	(3,195)	4,810
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,375)	4,275
Comprehensive income attributable to non-controlling interests	179	534

### (3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,477	8,886	(3,624)	(1,512)	11,227
Cumulative effects of changes in accounting policies					–
Restated balance	7,477	8,886	(3,624)	(1,512)	11,227
Changes during period					
Profit (loss) attributable to owners of parent			(4,142)		(4,142)
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares					–
Deficit disposition		(4,542)	4,542		–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					
Total changes during period	–	(4,542)	399	(1)	(4,143)
Balance at end of period	7,477	4,344	(3,224)	(1,513)	7,083

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	201	142	(58)	284	49	1,029	12,590
Cumulative effects of changes in accounting policies							–
Restated balance	201	142	(58)	284	49	1,029	12,590
Changes during period							
Profit (loss) attributable to owners of parent							(4,142)
Purchase of treasury shares							(1)
Disposal of treasury shares							–
Deficit disposition							–
Change in ownership interest of parent due to transactions with non-controlling interests							–
Net changes in items other than shareholders' equity	578	139	49	767	17	143	928
Total changes during period	578	139	49	767	17	143	(3,215)
Balance at end of period	779	281	(9)	1,052	66	1,173	9,375

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,477	4,344	(3,224)	(1,513)	7,083
Cumulative effects of changes in accounting policies			(4)		(4)
Restated balance	7,477	4,344	(3,228)	(1,513)	7,079
Changes during period					
Profit (loss) attributable to owners of parent			3,116		3,116
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		(4)		8	4
Deficit disposition					-
Change in ownership interest of parent due to transactions with non-controlling interests		17			17
Net changes in items other than shareholders' equity					
Total changes during period	-	13	3,116	6	3,135
Balance at end of period	7,477	4,358	(112)	(1,507)	10,215

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	779	281	(9)	1,052	66	1,173	9,375
Cumulative effects of changes in accounting policies							(4)
Restated balance	779	281	(9)	1,052	66	1,173	9,371
Changes during period							
Profit (loss) attributable to owners of parent							3,116
Purchase of treasury shares							(2)
Disposal of treasury shares							4
Deficit disposition							-
Change in ownership interest of parent due to transactions with non-controlling interests							17
Net changes in items other than shareholders' equity	(146)	1,038	267	1,159	22	269	1,451
Total changes during period	(146)	1,038	267	1,159	22	269	4,587
Balance at end of period	633	1,320	258	2,211	88	1,443	13,958

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(3,694)	4,031
Depreciation	1,043	687
Impairment losses	2,223	178
Amortization of goodwill	32	98
Increase (decrease) in provision for environmental measures	(1,008)	–
Increase (decrease) in provision for loss on factory closings	77	(70)
Increase (decrease) in provision and allowance	(29)	35
Decrease (increase) in retirement benefit asset	–	(166)
Increase (decrease) in retirement benefit liability	(71)	96
Interest and dividend income	(91)	(83)
Interest expenses	214	206
Loss (gain) on valuation of investment securities	739	–
Foreign exchange losses (gains)	5	(159)
Share of loss (profit) of entities accounted for using equity method	831	(1,520)
Loss (gain) on disposal of non-current assets	55	59
Decrease (increase) in trade receivables	159	(1,285)
Decrease (increase) in inventories	191	(1,837)
Increase (decrease) in trade payables	254	881
Subsidy income	–	(20)
Other, net	(106)	103
Subtotal	825	1,236
Payments of retirement benefits for directors (and other officers)	(2)	–
Income taxes refund (paid)	(210)	(333)
Net cash provided by (used in) operating activities	612	903
Cash flows from investing activities		
Interest and dividends received	137	142
Proceeds from sale of investment securities	29	859
Payments for investments in capital of subsidiaries and associates	–	(1,893)
Purchase of property, plant and equipment	(945)	(719)
Proceeds from sale of property, plant and equipment	9	16
Purchase of intangible assets	(80)	(35)
Net decrease (increase) in time deposits	(64)	(262)
Loan advances	(300)	–
Proceeds from collection of loans receivable	6	46
Subsidies received	–	20
Proceeds from refund of leasehold and guarantee deposits	–	753
Other, net	(11)	(66)
Net cash provided by (used in) investing activities	(1,219)	(1,138)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,075	(889)
Proceeds from long-term borrowings	4,700	6,333
Repayments of long-term loans payable and others	(4,096)	(4,145)
Interest paid	(214)	(206)
Proceeds from sale of treasury shares	–	0
Purchase of treasury shares	(1)	(2)
Dividends paid to non-controlling interests	(23)	(47)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(105)
Other, net	(23)	(23)
Net cash provided by (used in) financing activities	1,416	913
Effect of exchange rate change on cash and cash equivalents	141	355
Net increase (decrease) in cash and cash equivalents	949	1,034
Cash and cash equivalents at beginning of period	5,542	6,492
Cash and cash equivalents at end of period	6,492	7,527



## **(5) Notes on Consolidated Financial Statements**

### **(Notes on Assumptions of Going Concern)**

Not applicable

### **(Change in Scope of Application of Equity Method and Scope of Consolidation)**

#### *Significant changes in scope of consolidation*

After conducting an absorption-type merger with the Company as the surviving company and Toda Pigment Corp. as the extinguished company, the Company has excluded Toda Pigment Corp., which had been a consolidated subsidiary in the previous fiscal year, from its scope of consolidation in the fiscal year under review.

Additionally, in the fiscal year under review, the Company has included Jiangmen & Partner's Magnetic Product Co., Ltd. and one of its subsidiaries in the scope of consolidation due to making them the Company's subsidiaries by acquiring a stake in them. Note that the Group has established July 1, 2021 as the deemed acquisition date. Moreover, as the difference between that date and the closing date of the quarterly consolidated settlement of accounts does not exceed three months, for the second quarter, the Group has only consolidated the balance sheet of Jiangmen & Partner's Magnetic Product Co., Ltd. as of June 30, 2021, and has consolidated its statement of income starting from the third quarter.

### **(Changes in Accounting Policies)**

#### *Application of Accounting Standard for Revenue Recognition, etc.*

The Group has elected to apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review and recognize revenue at the time the control of promised goods or services is transferred to the customer for the amount expected to be received upon exchange of said goods or services.

Accordingly, while the Group had originally recognized revenues from the sale of merchandise and products at the time of shipment, it has changed to the method of recognizing revenues at the point in time when control of said products is transferred to the customer. Additionally, for transactions conducted with the Group as an agent, while the Group had originally recognized revenues as the total amount of consideration that it receives from customers, it has changed to the method of recognizing revenues based on the net amount. Furthermore, for non-free materials supplied by a supplier in subcontracting transactions where the supplier has an obligation to buy back said supplies, while the Group had originally posted net sales and the cost of sales for those supplies at the time that it sold them back to the supplier, it has changed to the method of recognizing revenues in a net amount equivalent solely to the processing fee. In addition, for the fiscal year-end inventory balance of non-free materials supplied by a supplier in subcontracting transactions where the supplier has an obligation to buy back said supplies, while the Group had originally presented those supplies as "merchandise and finished goods" and "work in process" under "current assets" and as "raw materials and supplies," it now presents them as "other" under "current assets."

The application of the Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The Group has factored the cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the fiscal year under review in the opening balance of retained earnings of the fiscal year under review, and the new accounting policy was applied from the opening balance of the fiscal year under review as a change in the accounting policy.

As a result, on the consolidated balance sheet for the fiscal year under review, merchandise and finished goods decreased by ¥12 million, work in process decreased by ¥32 million, raw materials and supplies decreased by ¥43 million, and other under current assets increased by ¥88 million. On the consolidated statement of income for the fiscal year under review, net sales decreased by ¥4,643 million, the cost of sales decreased by ¥4,619 million, and operating profit, ordinary profit and profit before income taxes each decreased by ¥24 million. Additionally, the opening balance of retained earnings at the beginning of the fiscal year under review decreased by ¥4 million.

The impact of this on the consolidated statement of cash flows and per-share data for the fiscal year under review is minute.

Note that in accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

*Application of Accounting Standard for Fair Value Measurement, etc.*

The Group has elected to apply the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review and to apply the new accounting policy provided for in Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). Note that this has no impact on the consolidated financial statements.

**(Changes in Presentation)**

*Consolidated statements of cash flows*

As the monetary significance of “proceeds from sale of investment securities” and “net decrease (increase) in time deposits,” which were included in “other, net” under “cash flows from investing activities” in the previous fiscal year, has increased, the Group has elected to state them independently starting from the fiscal year under review. To reflect this change in the approach to presentation, the Group has restated figures in its consolidated financial statements for the previous fiscal year.

As a result, on the consolidated statement of cash flows for the previous fiscal year, the minus ¥46 million presented in “other, net” under “cash flows from investing activities” has been restated as ¥29 million in “proceeds from sale of investment securities,” minus ¥64 million in “net decrease (increase) in time deposits,” and minus ¥11 million in “other, net.”

**(Segment Information, Etc.)**

[Segment information]

1. Summary of reportable segments

The reportable segments of the Group are constituent units of the Group for which separate financial information can be obtained and are subject to examination on a regular basis by the Board of Directors in order to decide on the allocation of management resources and evaluate operating results. The Group categorizes its reportable segments based on product groupings after taking into consideration manufacturing methods and process as well as similarities in the markets of sale. It has therefore categorized its reportable segments into the two segments of “functional pigments” and “electronic materials.”

The main products under each reportable segment are as follows.

- (1) Functional pigments: Magnetic powder materials and various coloring materials
- (2) Electronic materials: Ferrite materials, cathode materials for lithium ion batteries, PVC stabilizers, etc.

2. Computation methods for amounts of net sales, profit or losses, assets and other items for each reportable segment

Figures for profit (loss) in reportable segments are on an operating profit (loss) basis.

Inter-segment revenues and transfers are based on prevailing market prices.

*Application of Accounting Standard for Revenue Recognition, etc.*

As described in “Application of Accounting Standard for Revenue Recognition, etc.” under “(Changes in Accounting Policies),” the Group has applied the Accounting Standard for Revenue Recognition, etc. from the fiscal year under review and changed the accounting treatment method for revenue recognition standards. Accordingly, the Group has changed the method of measuring profit or loss of business segments in a similar manner.

Based on said changes, compared to the original method, net sales and segment profit in the functional pigments segment decreased by ¥1,702 million and ¥2 million, respectively. Net sales and segment profit in the electronic materials segment decreased by ¥2,941 million and ¥22 million, respectively.

3. Information regarding amounts of net sales, profit or losses, assets and other items for each reportable segment

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segments		Total	Adjustments (Note 1)	Amount posted on consolidated financial statements (Note 2)
	Functional pigments	Electronic materials			
Net sales					
Net sales to external customers	12,311	16,712	29,024	–	29,024
Inter-segment net sales or transfers	21	416	438	(438)	–
Total	12,332	17,129	29,462	(438)	29,024
Segment profit	1,257	1,505	2,763	(2,751)	11
Segment assets	12,089	12,275	24,364	17,419	41,783
Other items					
Depreciation	535	293	829	213	1,043
Changes in property, plant and equipment or intangible assets	534	286	820	221	1,042

Notes: 1 Adjustments are as follows.

- (1) The adjustment of negative ¥2,751 million to segment profit includes corporate expenses of negative ¥2,751 million not allocated to either reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to the reportable segments.
  - (2) The adjustment to segment assets consists of corporate assets. Corporate assets mainly consist of financial assets of the Group (cash and deposits, investment securities, etc.) and assets pertaining to administrative departments that do not belong to the reportable segments.
  - (3) The adjustment to depreciation consists of depreciation on assets that do not belong to the reportable segments.
  - (4) The adjustment increase in property, plant and equipment and intangible assets consists of increases to assets that do not belong to the reportable segments.
- 2 For segment profit, the Group has adjusted operating profit on its consolidated statement of income.

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments		Total	Adjustments (Note 1)	Amount posted on consolidated financial statements (Note 2)
	Functional pigments	Electronic materials			
Net sales					
Net sales to external customers	13,562	21,770	35,332	–	35,332
Inter-segment net sales or transfers	5	456	461	(461)	–
Total	13,568	22,226	35,794	(461)	35,332
Segment profit	2,124	3,285	5,410	(2,890)	2,519
Segment assets	13,469	18,350	31,820	19,472	51,292
Other items					
Depreciation	270	245	515	172	687
Changes in property, plant and equipment or intangible assets	219	334	553	216	770

Notes: 1 Adjustments are as follows.

- (1) The adjustment of negative ¥2,890 million to segment profit includes corporate expenses of negative ¥2,890 million not allocated to either reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to the reportable segments.
  - (2) The adjustment to segment assets consists of corporate assets. Corporate assets mainly consist of financial assets of the Group (cash and deposits, investment securities, etc.) and assets pertaining to administrative departments that do not belong to the reportable segments.
  - (3) The adjustment to depreciation consists of depreciation on assets that do not belong to the reportable segments.
  - (4) The adjustment increase in property, plant and equipment and intangible assets consists of increases to assets that do not belong to the reportable segments.
- 2 For segment profit, the Group has adjusted operating profit on its consolidated statement of income.

**(Per-Share Information)**

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 20212
Net assets per share (Yen)	1,411.60	2,155.82
Earnings (loss) per share (Yen)	(718.76)	540.59
Diluted earnings per share (Yen)	–	537.04

Notes: 1. Diluted earnings per share for the previous fiscal year has not been stated due to constituting net losses per share despite the presence of dilutive shares.

2. The basis of computation for earnings per share or net loss per share and diluted earnings per share is as follows.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 20212
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (Millions of yen)	(4,142)	3,116
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit (loss) attributable to owners of parent pertaining to common shares (Millions of yen)	(4,142)	3,116
Average number of common shares during the period (Thousands of shares)	5,763	5,764
Diluted profit per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	–	–
Increased number of common shares (Thousands of shares)	–	38
[Number of which are share acquisition rights (Thousands of shares)]	[–]	[38]
Overview of dilutive shares not included in the calculation of diluted earnings per share due to not being potentially dilutive	2nd Share Acquisition Rights based on resolution of Board of Directors held on June 26, 2015 Number of share acquisition rights: 227 (common shares: 2,270 shares) 3rd Share Acquisition Rights based on resolution of Board of Directors held on June 29, 2016 Number of share acquisition rights: 329 (common shares: 3,290 shares) 4th Share Acquisition Rights based on resolution of Board of Directors held on June 28, 2017 Number of share acquisition rights: 354 (common shares: 3,540 shares) 5th Share Acquisition Rights based on resolution of Board of Directors held on June 27, 2018 Number of share acquisition rights: 418 (common shares: 4,180 shares) 6th Share Acquisition Rights based on resolution of Board of Directors held on June 25, 2019 Number of share acquisition rights: 711 (common shares: 7,110 shares) 7th Share Acquisition Rights based on resolution of Board of Directors held on June 25, 2020 Number of share acquisition rights: 1,093 (common shares: 10,930 shares)	–

**(Significant Subsequent Events)**

Not applicable