

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2024 (Based on Japanese GAAP)

November 11, 2024

Company name: TODA KOGYO CORP.
 Stock exchange listing: Tokyo
 Stock code: 4100 URL <https://www.todakogyo.co.jp>
 Representative: Representative Director Tsuneaki Kubo
 Inquiries: Department Manager of Corporate Planning Atsushi Tomokawa
 Department TEL +81-82-577-0055
 Scheduled date to file Semi-annual Securities Report: November 14, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of 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, 2024 (from April 1, 2024 to September 30, 2024)

(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, 2024	14,508	14.5	(267)	–	(266)	–	(879)	–
Six months ended September 30, 2023	12,674	(32.4)	(11)	–	970	(57.5)	801	(48.5)

Note: Comprehensive income Six months ended September 30, 2024: ¥613 million [(65.9) %]
 Six months ended September 30, 2023: ¥1,798 million [(45.4) %]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	(152.24)	–
Six months ended September 30, 2023	138.71	137.79

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	55,669	15,317	25.8
As of March 31, 2024	53,714	14,525	25.8

Reference: Equity
 As of September 30, 2024: ¥14,390 million
 As of March 31, 2024: ¥13,860 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, 2024	–	0.00	–	0.00	0.00
Year ending March 31, 2025	–	0.00			
Year ending March 31, 2025 (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, 2025 (from April 1, 2024 to March 31, 2025)

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	29,500	12.4	(100)	–	(400)	–	(1,300)	–	(224.95)

Notes: 1. Revisions to the consolidated financial results forecasts most recently announced: Yes
2. Please refer to “Notification on the Differences Between the Forecast and the Financial Results for the Six Months Ended September 30, 2024, and Revisions to Our Full-year Forecast of Consolidated Financial Results” (in Japanese only) released today (November 11, 2024) for information on revisions to the forecast of consolidated financial results.

* Notes

- (1) Significant changes in the scope of consolidation during the six months ended September 30, 2024: No
- (2) Application of special accounting methods for preparing semi-annual 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 September 30, 2024	6,099,192 shares	As of March 31, 2024	6,099,192 shares
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Number of treasury shares at the end of the period

As of September 30, 2024	317,732 shares	As of March 31, 2024	321,945 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, 2024	5,778,990 shares	Six months ended September 30, 2023	5,774,672 shares
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* Semi-annual financial results reports are exempt from 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 Semi-annual Financial Results” on page 2 of the attached materials for the items related to the above forecasts.

(Method of accessing supplementary material on financial results)

Supplementary material on financial results will be posted on the Company’s website on December 3, 2024.

Attached Material

Index

1. Qualitative Information on Semi-annual 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	2
2. Semi-annual Consolidated Financial Statements and Significant Notes Thereto	3
(1) Semi-annual Consolidated Balance Sheets	3
(2) Semi-annual Consolidated Statements of Income (Cumulative) and Consolidated Statements of Comprehensive Income (Cumulative)	5
Semi-annual Consolidated Statements of Income (Cumulative)	5
Semi-annual Consolidated Statements of Comprehensive Income (Cumulative).....	6
(3) Notes on Semi-annual Consolidated Financial Statements	7
(Notes on Changes in Accounting Policies)	7
(Notes on Assumption of Going Concern)	7
(Notes When There Are Significant Changes in Amounts of Shareholders' Equity)	7
(Notes on Segment Information, Etc.).....	7

1. Qualitative Information on Semi-annual 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, 2024, there was a moderate recovery trend in the economy amid the normalizing socioeconomic activity, the improvement in the employment and income environment, and the recovery in demand from inbound tourism. On the other hand, the outlook remains uncertain mainly due to unstable international affairs and the risk of an economic downturn in China.

Under these circumstances, to achieve the vision of the Group for fiscal 2030 (fiscal year ending March 31, 2031), set out in its materiality, the Group has formulated a medium-term management plan, Vision2026, covering the period from fiscal 2024 (fiscal year ending March 31, 2025) to fiscal 2026 (fiscal year ending March 31, 2027). We will strengthen our business portfolio management and strive for business growth by accelerating selection and concentration.

During the six months ended September 30, 2024, net sales came to ¥14,508 million (up 14.5% year on year), operating loss came to ¥267 million (compared with operating loss of ¥11 million in the same period of the previous fiscal year), ordinary loss came to ¥266 million (compared with ordinary profit of ¥970 million in the same period of the previous fiscal year), and loss attributable to owners of parent came to ¥879 million (compared with profit attributable to owners of parent of ¥801 million in the same period of the previous fiscal year).

The status of each segment is as follows.

Functional pigments

Net sales were ¥3,963 million, a decline of 6.7% year on year, and segment profit was ¥437 million, a decline of 19.8% year on year, mainly due to the impact of a delayed recovery in the market for some products such as materials for copiers and printers and magnetic recording materials.

Electronic materials

Although there was a sharp drop in orders for the Company’s consolidated subsidiary that manufactures lithium ion battery (LIB) materials due to the impact of a slowdown in growth in the electric vehicle (EV) market, net sales were ¥10,806 million, an increase of 24.9% year on year, due to strong demand for magnet materials and dielectric materials and solid financial results for TODA ISU CORPORATION, which was converted into a consolidated subsidiary. However, segment profit was ¥771 million, a decline of 25.2% year on year, due to sluggish demand for the abovementioned LIB materials.

For non-operating income and expenses, revenues from associates accounted for using the equity method declined due to the sluggish EV demand. In addition, foreign exchange losses were recorded due to appreciation of the yen. Moreover, in extraordinary income and losses, impairment losses were recorded on business assets and assets for common use held by the Company.

(2) Explanation of Financial Position

Assets

Assets as of September 30, 2024 came to ¥55,669 million, an increase of ¥1,955 million over the end of the previous fiscal year. This was mainly due to increases of ¥1,428 million in property, plant and equipment, ¥472 million in goodwill, and ¥418 million in investment securities, despite a decrease of ¥589 million in notes and accounts receivable - trade.

Liabilities

Liabilities as of September 30, 2024 came to ¥40,352 million, an increase of ¥1,163 million over the end of the previous fiscal year. This was mainly due to an increase of ¥1,688 million in borrowings, despite decreases of ¥239 million in notes and accounts payable - trade and ¥291 million in other under current liabilities.

Net assets

Net assets as of September 30, 2024 came to ¥15,317 million, an increase of ¥792 million over the end of the previous fiscal year. This was mainly due to increases of ¥316 million in valuation difference on available-for-sale securities and ¥1,144 million in foreign currency translation adjustment, despite a decrease of ¥879 million in retained earnings as a result of recording loss attributable to owners of parent.

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

Please refer to “Notification on the Differences Between the Forecast and the Financial Results for the Six Months Ended September 30, 2024, and Revisions to Our Full-year Forecast of Consolidated Financial Results” (in Japanese only) released today (November 11, 2024) for information on revisions to the forecast of consolidated financial results.

2. Semi-annual Consolidated Financial Statements and Significant Notes Thereto

(1) Semi-annual Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	8,164	8,437
Notes and accounts receivable - trade	8,712	8,123
Merchandise and finished goods	4,662	4,480
Work in process	2,476	2,276
Raw materials and supplies	4,718	4,716
Other	1,587	1,851
Allowance for doubtful accounts	(11)	(22)
Total current assets	30,309	29,863
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,583	1,945
Machinery, equipment and vehicles, net	1,686	1,765
Land	4,887	5,659
Construction in progress	210	388
Other, net	492	529
Total property, plant and equipment	8,860	10,288
Intangible assets		
Goodwill	2,497	2,969
Other	13	13
Total intangible assets	2,510	2,982
Investments and other assets		
Investment securities	3,290	3,708
Investments in capital of subsidiaries and associates	8,016	8,212
Other	729	616
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	12,033	12,534
Total non-current assets	23,404	25,806
Total assets	53,714	55,669

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,507	3,268
Short-term borrowings	9,113	9,136
Current portion of long-term borrowings	4,712	4,989
Income taxes payable	148	122
Provision for bonuses	314	235
Other	3,832	3,541
Total current liabilities	21,629	21,295
Non-current liabilities		
Long-term borrowings	13,490	14,878
Long-term accounts payable - other	112	–
Retirement benefit liability	2,342	2,313
Other	1,613	1,865
Total non-current liabilities	17,559	19,056
Total liabilities	39,189	40,352
Net assets		
Shareholders' equity		
Share capital	7,477	7,477
Capital surplus	4,306	4,297
Retained earnings	(425)	(1,304)
Treasury shares	(1,447)	(1,428)
Total shareholders' equity	9,910	9,041
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,389	1,705
Foreign currency translation adjustment	2,016	3,160
Remeasurements of defined benefit plans	543	482
Total accumulated other comprehensive income	3,950	5,348
Share acquisition rights	97	99
Non-controlling interests	567	828
Total net assets	14,525	15,317
Total liabilities and net assets	53,714	55,669

(2) Semi-annual Consolidated Statements of Income (Cumulative) and Consolidated Statements of Comprehensive Income (Cumulative)
Semi-annual Consolidated Statements of Income (Cumulative)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	12,674	14,508
Cost of sales	9,861	11,540
Gross profit	2,812	2,967
Selling, general and administrative expenses		
Employees' salaries	582	697
Provision for bonuses	96	95
Retirement benefit expenses	53	60
Research and development expenses	762	761
Other	1,328	1,619
Total selling, general and administrative expenses	2,823	3,234
Operating loss	(11)	(267)
Non-operating income		
Interest income	28	41
Dividend income	35	38
Share of profit of entities accounted for using equity method	568	187
Foreign exchange gains	417	–
Other	68	68
Total non-operating income	1,117	336
Non-operating expenses		
Interest expenses	128	229
Foreign exchange losses	–	86
Other	7	19
Total non-operating expenses	135	335
Ordinary profit (loss)	970	(266)
Extraordinary income		
Gain on disposal of non-current assets	9	3
Gain on sale of investment securities	76	–
Compensation income	97	33
Total extraordinary income	183	36
Extraordinary losses		
Loss on disposal of non-current assets	42	4
Loss on sale of investment securities	0	–
Impairment losses	–	309
Total extraordinary losses	43	313
Profit (loss) before income taxes	1,111	(544)
Income taxes - current	137	208
Income taxes - deferred	84	101
Total income taxes	222	309
Profit (loss)	889	(854)
Profit attributable to non-controlling interests	88	25
Profit (loss) attributable to owners of parent	801	(879)

Semi-annual Consolidated Statements of Comprehensive Income (Cumulative)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit (loss)	889	(854)
Other comprehensive income		
Valuation difference on available-for-sale securities	249	315
Foreign currency translation adjustment	491	884
Remeasurements of defined benefit plans, net of tax	39	(60)
Share of other comprehensive income of entities accounted for using equity method	129	328
Total other comprehensive income	909	1,467
Comprehensive income	1,798	613
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,673	518
Comprehensive income attributable to non-controlling interests	125	94

(3) Notes on Semi-annual Consolidated Financial Statements

(Notes on Changes in Accounting Policies)

Application of the “Accounting Standard for Current Income Taxes” and other relevant ASBJ regulations
The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) and other relevant ASBJ regulations from the beginning of the first half of the fiscal year ending March 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2 (2) of “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; the “Revised Guidance of 2022”). This change in accounting policy has no impact on the semi-annual consolidated financial statements.

In addition, for revisions related to the review of the treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Company has applied the Revised Guidance of 2022 from the beginning of the first half of the fiscal year ending March 31, 2025. The change in accounting policy has been applied retrospectively. Therefore, the new accounting policy was reflected in the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year. The change in accounting policy has no impact on the semi-annual consolidated financial statements of the same period of the previous fiscal year or the consolidated financial statements of the previous fiscal year.

(Notes on Assumption of Going Concern)

Not applicable

(Notes When There Are Significant Changes in Amounts of Shareholders' Equity)

Not applicable

(Notes on Segment Information, Etc.)

[Segment information]

I Six months ended September 30, 2023

1. Information regarding amounts of net sales and profit or losses for each reportable segment

	Reportable segments		Total	Adjustments (Note 1)	Amount posted on semi-annual consolidated statements of income (Note 2)
	Functional pigments	Electronic materials			
Net sales					
Net sales to external customers	4,243	8,430	12,674	–	12,674
Inter-segment net sales or transfers	3	224	228	(228)	–
Total	4,247	8,655	12,902	(228)	12,674
Segment profit (loss)	545	1,032	1,577	(1,588)	(11)

Notes: 1 The adjustment of negative ¥1,588 million to segment profit (loss) includes corporate expenses of negative ¥1,588 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 For segment profit (loss), the Group has adjusted operating loss on its semi-annual consolidated statements of income.

2. Information regarding impairment losses on non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses on non-current assets)

Not applicable

(Significant changes in the amount of goodwill)

Not applicable

(Significant gain on bargain purchase)

Not applicable

II Six months ended September 30, 2024

1. Information regarding amounts of net sales and profit or losses for each reportable segment

	Reportable segments		Total	Adjustments (Note 1)	Amount posted on semi-annual consolidated statements of income (Note 2)
	Functional pigments	Electronic materials			
Net sales					
Net sales to external customers	3,955	10,552	14,508	–	14,508
Inter-segment net sales or transfers	8	253	262	(262)	–
Total	3,963	10,806	14,770	(262)	14,508
Segment profit (loss)	437	771	1,209	(1,476)	(267)

Notes: 1 The adjustment of negative ¥1,476 million to segment profit (loss) includes corporate expenses of negative ¥1,476 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 For segment profit (loss), the Group has adjusted operating loss on its semi-annual consolidated statements of income.

2. Information regarding impairment losses on non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses on non-current assets)

Impairment losses on non-current assets were recorded for the functional pigments, electronic materials segments, and corporate assets that do not belong to the reportable segments. The amounts of such impairment losses recorded for the six months ended September 30, 2024 were ¥182 million for the functional pigments segment, ¥38 million for the electronic materials segment, and ¥88 million for corporate assets that do not belong to the reportable segments.

(Significant changes in the amount of goodwill)

Not applicable

(Significant gain on bargain purchase)

Not applicable