

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2024 (Based on Japanese GAAP)

February 10, 2025

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 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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	%
Nine months ended December 31, 2024	21,757	10.9	(205)	–	(217)	–	(799)	–
Nine months ended December 31, 2023	19,613	(28.7)	231	(80.8)	1,288	(53.1)	1,513	(43.5)

Note: Comprehensive income
 Nine months ended December 31, 2024: ¥(51) million [– %]
 Nine months ended December 31, 2023: ¥3,068 million [(24.0) %]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	(138.41)	–
Nine months ended December 31, 2023	262.05	260.26

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	55,574	14,660	24.8
As of March 31, 2024	53,714	14,525	25.8

Reference: Equity
 As of December 31, 2024: ¥13,783 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)

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

* Notes

- (1) Significant changes in the scope of consolidation during the nine months ended December 31, 2024: 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 December 31, 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 December 31, 2024	317,822 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)

Nine months ended December 31, 2024	5,779,716 shares	Nine months ended December 31, 2023	5,775,466 shares
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* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: No

* Proper use of earnings forecasts, and other special matters

The forecast of financial results is based on information available at the current time and include many uncertain factors. Actual financial results and other items may differ from the above forecast for any of various reasons, including changes in business conditions. Please refer to “(3) Explanation of Forecast of Financial Results and Other Forward-looking Statements” of “1. Qualitative Information on Quarterly Financial Results” on page 2 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 nine months ended December 31, 2024, there was a moderate recovery trend in the economy due to factors that include 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, the future direction of U.S. policy and concerns about the future of the Chinese economy.

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.

We are also promoting measures such as product pricing correction activities, cost reduction activities and expense reduction to improve profitability.

During the nine months ended December 31, 2024, net sales came to ¥21,757 million (up 10.9% year on year), operating loss came to ¥205 million (compared with operating profit of ¥231 million in the same period of the previous fiscal year), ordinary loss came to ¥217 million (compared with ordinary profit of ¥1,288 million in the same period of the previous fiscal year), and loss attributable to owners of parent came to ¥799 million (compared with profit attributable to owners of parent of ¥1,513 million in the same period of the previous fiscal year).

The status of each segment is as follows.

Functional pigments

Demand for materials for catalysts, which are positioned as a revenue-base business in the medium-term management plan, was strong and sales grew year on year. On the other hand, due to the larger-than-expected decrease in demand mainly for materials for copiers and printers, which are a revitalization/reorganization business, net sales were ¥6,002 million, a decline of 2.5% year on year, and segment profit was ¥689 million, a decline of 5.2% year on year.

Electronic materials

Although there was a sharp drop in orders for lithium ion battery (LIB) precursor materials, which are a revitalization/reorganization business, due to the impact of a slowdown in growth in the electric vehicle (EV) market, demand for magnet materials and dielectric materials, which are a growth business, was strong. In addition, for soft magnetic materials, which are a next-generation business, net sales were ¥16,150 million, an increase of 17.0% year on year, due to solid financial results for TODA materials Inc. (the company name was changed from TODA ISU CORPORATION on January 1, 2025), which was converted into a consolidated subsidiary. However, segment profit was ¥1,301 million, a decline of 33.8% year on year, due to sluggish demand for the abovementioned LIB precursor 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 gains declined year on year due to the revaluation of foreign currency-denominated assets and liabilities. 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 December 31, 2024, came to ¥55,574 million, an increase of ¥1,860 million over the end of the previous fiscal year. This was mainly due to increases of ¥1,536 million in property, plant and equipment, and ¥760 million in investment securities, despite a decrease of ¥555 million in work in process.

Liabilities

Liabilities as of December 31, 2024, came to ¥40,914 million, an increase of ¥1,725 million over the end of the previous fiscal year. This was mainly due to an increase of ¥2,367 million in borrowings, despite decreases of ¥312 million in notes and accounts payable - trade and ¥220 million in provision for bonuses.

Net assets

Net assets as of December 31, 2024, came to ¥14,660 million, an increase of ¥135 million over the end of the previous fiscal year. This was mainly due to increases of ¥582 million in valuation difference on available-for-sale securities and ¥187 million in foreign currency translation adjustment, despite a decrease of ¥799 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

There is no change to the consolidated earnings forecast for the full-year announced in the “Summary of Consolidated Financial Results for the Six Months Ended September 30, 2024” on November 11, 2024.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	8,164	8,648
Notes and accounts receivable - trade	8,712	8,439
Merchandise and finished goods	4,662	4,476
Work in process	2,476	1,921
Raw materials and supplies	4,718	4,793
Other	1,587	1,619
Allowance for doubtful accounts	(11)	(22)
Total current assets	30,309	29,878
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,583	1,878
Machinery, equipment and vehicles, net	1,686	1,617
Land	4,887	5,580
Construction in progress	210	857
Other, net	492	463
Total property, plant and equipment	8,860	10,396
Intangible assets		
Goodwill	2,497	2,658
Other	13	20
Total intangible assets	2,510	2,678
Investments and other assets		
Investment securities	3,290	4,050
Investments in capital of subsidiaries and associates	8,016	7,938
Other	729	635
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	12,033	12,620
Total non-current assets	23,404	25,696
Total assets	53,714	55,574

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,507	3,195
Short-term borrowings	9,113	9,054
Current portion of long-term borrowings	4,712	5,072
Income taxes payable	148	111
Provision for bonuses	314	94
Other	3,832	3,635
Total current liabilities	21,629	21,163
Non-current liabilities		
Long-term borrowings	13,490	15,556
Long-term accounts payable - other	112	–
Retirement benefit liability	2,342	2,271
Other	1,613	1,923
Total non-current liabilities	17,559	19,750
Total liabilities	39,189	40,914
Net assets		
Shareholders' equity		
Share capital	7,477	7,477
Capital surplus	4,306	4,297
Retained earnings	(425)	(1,225)
Treasury shares	(1,447)	(1,428)
Total shareholders' equity	9,910	9,121
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,389	1,971
Foreign currency translation adjustment	2,016	2,203
Remeasurements of defined benefit plans	543	488
Total accumulated other comprehensive income	3,950	4,662
Share acquisition rights	97	106
Non-controlling interests	567	769
Total net assets	14,525	14,660
Total liabilities and net assets	53,714	55,574

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

Consolidated Statements of Income (Cumulative)

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	19,613	21,757
Cost of sales	15,061	17,201
Gross profit	4,551	4,556
Selling, general and administrative expenses		
Employees' salaries	879	1,031
Provision for bonuses	142	125
Retirement benefit expenses	81	66
Research and development expenses	1,151	1,141
Other	2,065	2,397
Total selling, general and administrative expenses	4,320	4,762
Operating profit (loss)	231	(205)
Non-operating income		
Interest income	39	56
Dividend income	64	74
Share of profit of entities accounted for using equity method	789	117
Foreign exchange gains	314	4
Other	96	94
Total non-operating income	1,304	347
Non-operating expenses		
Interest expenses	220	337
Other	26	22
Total non-operating expenses	246	359
Ordinary profit (loss)	1,288	(217)
Extraordinary income		
Gain on disposal of non-current assets	11	42
Gain on sale of investment securities	76	–
Gain on step acquisitions	475	–
Compensation income	162	92
Total extraordinary income	726	134
Extraordinary losses		
Loss on disposal of non-current assets	52	18
Impairment losses	–	309
Other	0	–
Total extraordinary losses	52	328
Profit (loss) before income taxes	1,962	(410)
Income taxes - current	223	319
Income taxes - deferred	126	58
Total income taxes	350	378
Profit (loss)	1,612	(789)
Profit attributable to non-controlling interests	98	10
Profit (loss) attributable to owners of parent	1,513	(799)

Consolidated Statements of Comprehensive Income (Cumulative)

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit (loss)	1,612	(789)
Other comprehensive income		
Valuation difference on available-for-sale securities	461	581
Foreign currency translation adjustment	786	132
Remeasurements of defined benefit plans, net of tax	17	(55)
Share of other comprehensive income of entities accounted for using equity method	191	79
Total other comprehensive income	1,456	737
Comprehensive income	3,068	(51)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,914	(87)
Comprehensive income attributable to non-controlling interests	153	35

(3) Notes to Quarterly 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 quarter 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 quarterly 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 quarter 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 quarterly 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 Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the nine months ended December 31, 2024 is not prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months ended December 31, 2023 and 2024 are as follows.

	(Millions of yen)	
	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Depreciation	587	363
Amortization of goodwill	299	432

(Notes on Segment Information, Etc.)

[Segment information]

I Nine months ended December 31, 2023

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

(Millions of yen)

	Reportable segments		Total	Adjustments (Note 1)	Amount posted on quarterly consolidated statements of income (Note 2)
	Functional pigments	Electronic materials			
Net sales					
Net sales to external customers	6,153	13,459	19,613	–	19,613
Inter-segment net sales or transfers	5	339	345	(345)	–
Total	6,159	13,799	19,958	(345)	19,613
Segment profit	726	1,964	2,691	(2,460)	231

Notes: 1 The adjustment of negative ¥2,460 million to segment profit includes corporate expenses of negative ¥2,460 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, the Group has adjusted operating profit on its quarterly consolidated statement 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 Nine months ended December 31, 2024

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

(Millions of yen)

	Reportable segments		Total	Adjustments (Note 1)	Amount posted on quarterly consolidated statements of income (Note 2)
	Functional pigments	Electronic materials			
Net sales					
Net sales to external customers	5,988	15,768	21,757	–	21,757
Inter-segment net sales or transfers	13	381	395	(395)	–
Total	6,002	16,150	22,152	(395)	21,757
Segment profit (loss)	689	1,301	1,990	(2,196)	(205)

Notes: 1 The adjustment of negative ¥2,196 million to segment profit (loss) includes corporate expenses of negative ¥2,196 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 quarterly 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 nine months ended December 31, 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