Translation

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Company name: TODA KOGYO CORP.
Name of representative: Tsuneaki Kubo, Representative Director (Securities code: 4100; Standard Market)
Inquiries: Atsushi Tomokawa, Department Manager of Corporate Planning Department (Telephone: +81-82-577-0055)

Notice Regarding Recording of Extraordinary Income, Differences Between Forecast and Actual Results for the Second Quarter of FY2027, and Revisions of Full-Year Consolidated Financial Forecast

TODA KOGYO CORP. (hereinafter, the "Company") hereby announces that extraordinary income will be recorded in the second quarter (first half) of the fiscal year ending March 31, 2027, as described below.

In addition, as there is a difference between the forecast for the second quarter (first half) of the fiscal year ending March 31, 2027, announced on May 15, 2026, and the actual results disclosed today, and in light of recent trends in business performance, the Company has decided to revise its forecast of consolidated financial results for the year ending March 31, 2027.

1. Recording Extraordinary Income

In the second quarter (first half), the Company recorded a gain on sale of investments in associate of ¥1,265 million as extraordinary income as a result of transferring all of its shares in ZHEJIANG HUAYUAN NEW MATERIAL CO., LTD., which had been an associate accounted for using the equity method.

2. Differences Between Forecast and Actual Results for the Second Quarter of the Fiscal Year Ending March 31, 2027 (April 1, 2026 – September 30, 2026)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Previous Forecast (A)	Millions of yen 14,000	Millions of yen 400	Millions of yen 400	Millions of yen 100	Yen 17.29
Actual Results (B)	15,371	864	747	1,889	325.61
Increase/Decrease (B-A)	1,371	464	347	1,789	—
Rate of Change (%)	9.8	116.0	86.8	—	—
(Reference) Results for the Previous Fiscal Year (the second quarter of fiscal year ending March 31, 2026)	14,309	599	18	(108)	(18.71)

3. Revision of Full-Year Consolidated Financial Forecast of the Fiscal Year Ending March 31, 2027 (April 1, 2026 – March 31, 2027)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Previous Forecast (A)	Millions of yen 29,000	Millions of yen 1,000	Millions of yen 1,100	Millions of yen 500	Yen 86.44
Revised Forecast (B)	32,000	1,500	1,200	2,100	361.91
Increase/Decrease (B-A)	3,000	500	100	1,600	—
Rate of Change (%)	10.3	50.0	9.1	320.0	—
(Reference) Results for the Previous Fiscal Year (fiscal year ending March 31, 2026)	28,041	862	(77)	(3,455)	(597.39)

4. Reasons for Difference and Revision of Earnings Forecast

Difference between the consolidated financial forecast and actual results for the second quarter (first half)

Net sales and operating profit exceeded the initial forecast due to the effects of product pricing optimization actions, increased demand for dielectric materials and recording materials driven by the rapid spread of AI, and strong sales of rare-earth bonded magnet materials featuring high magnetic force, corrosion resistance, and heat resistance. Although foreign exchange losses were recorded as a result of the revaluation of foreign currency-denominated assets and liabilities, ordinary profit also exceeded the initial forecast due to the increase in operating profit. Furthermore, profit attributable to owners of parent exceeded the initial forecast mainly due to the recording of the above-mentioned gain on sale of investments in associates as extraordinary income.

Revision of full-year consolidated financial forecast

Although the Group expects to be affected by soaring raw material and energy prices caused by the escalating tensions in the Middle East, as well as a decrease in earnings from associates accounted for using the equity method resulting from the transfer of shares in ZHEJIANG HUAYUAN NEW MATERIAL CO., LTD., demand, particularly for dielectric materials, is expected to remain strong in the second half of the fiscal year and thereafter.

In light of the above, net sales and profits are expected to exceed the initial forecast. Accordingly, the Group has revised its full-year consolidated earnings forecast as shown in the table above.

(Note) The above forecasts are based on information available as of the date of this announcement and may differ from actual results due to various factors going forward.