November 10, 2022

Consolidated First Half Results

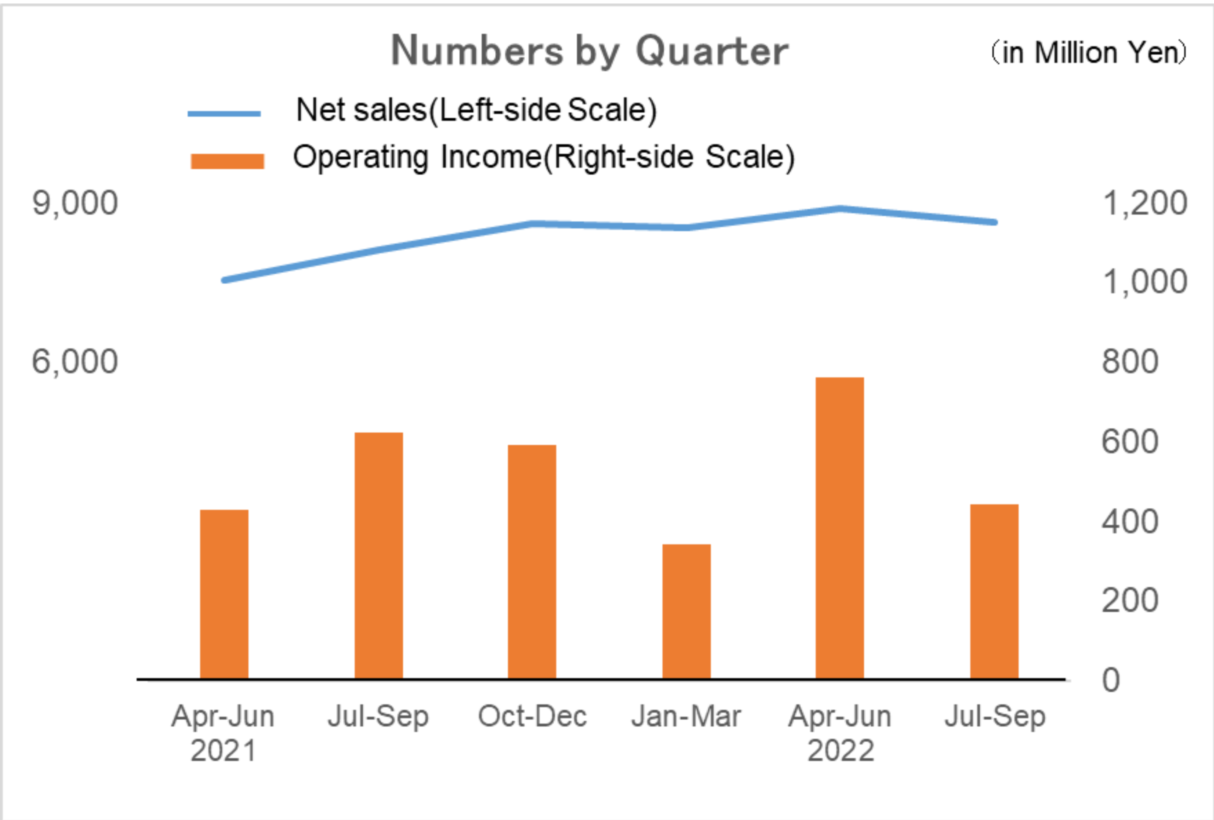
April 1, 2022 through September 30, 2022 of Fiscal Year Ending on March 31, 2023

Figures in Million Yen, unless otherwise noted

1. Net sales and Income from April 1, 2022 through September 30, 2022

	Net sales	Operating Income	Ordinary Income	(Note1) Net Income	(Note1) Net Income Per Share
Current Fiscal Year (FY 2023) First Half (H1)	17,532	1,205	1,361	1,255	116.19Yen
Converted into Million U.S. dollars (Note2)	130.8	9.0	10.2	9.4	US$0.87
Last Fiscal Year (FY 2022) H1	15,653	1,051	1,245	829	82.04Yen
Change to FY 2023 H1 from FY 2022 H1	1,878	153	116	425	—

Note1: "Net Income" in this paper is "Net Income attributable to owners of parent" in current accounting standards
Note2: U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US$1.00 = ¥134.04



2. Main Segment figures

		FY 2022 H1	FY 2023 H1	Change to FY 2023 H1 from FY 2022 H1
Toner	Net sales	5,616	7,322	1,705
	Operating Income	433	1,150	717
Electronic Materials	Net sales	3,094	2,948	▲146
	Operating Income	671	202	▲468
Functional Sheet	Net sales	4,935	5,234	298
	Operating Income	▲33	▲129	▲95
Security Media	Net sales	1,893	1,907	13
	Operating Income	112	137	25

3. Financial Position

September 30, 2022

	Total Assets	Equity	Capital to Asset Ratio	Equity Per Share
End of FY 2023 H1 September 30, 2022	43,776	19,203	34.1%	1,243.42Yen
Converted into Million U.S. dollars (Note)	302.3	132.6	-	US$8.59
End of FY 2022 March 31, 2022	43,574	17,616	30.9%	1,113.45Yen

Note: U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US$1.00 = ¥144.81

4. Forecast of Current Fiscal Year, which will end on March 31, 2023

Forecast released (Release Date)	Net sales	Operating Income	Ordinary Income	(Note) Net Income	(Note) Net Income Per Share
Whole FY (July 22,2022)	34,500	1,500	1,550	1,500	134.99Yen

Note: “Net Income” in this paper is “Net Income attributable to owners of parent” in current accounting standards

Observation of Current First Half Result

During the First Half (H1) of the Fiscal Year (FY) 2023 (April to September, 2022), the sales of Semiconductor-related business and Toner business that occupy large portion of TOMOEGAWA's consolidated net sales, kept its strong pace since last FY. In addition, progress of the Yen depreciation increased Yen-denominated value of overseas sales. As a result, we recorded H1 sales of ¥17,532 million, up ¥1,878 million or +12.0% from that of last FY.

As for the profit, our consolidated Operating Income was ¥1,205 million, up ¥153 million or +14.6% from last FY H1 number. Factors contributed to this growth are the sales surge that includes the Yen depreciation effect and the sales price hike to pass along related cost increases. The effects of those are large enough to absorb the material and fuel cost increase.

The consolidated Ordinary Income is ¥1,361 million, up ¥116 million or +9.4% from that of last FY H1, thanks largely to the equity gain from an affiliated company that handles processing of optical film used for displays. Net Income is ¥1,255 million, up ¥425 million or +51.3% from that of last FY H1. The main reason for the increase is the gain from the sales of the land and buildings of the US toner factory, which ceased operations in September 2020, in the First Quarter of current FY.

Overview of main segment

< Toner >

As for the Toner Segment , Net sales were ¥7,322 million, up ¥1,705 million or +30.4% from that of last FY H1, and Segment (operating) income was ¥1,150 million, up ¥717 million or +165.7% from that of last FY H1.

Thanks to the continuation of strong demand, orders remained steady, while the Yen depreciation trend in the foreign exchange market also provided boost to the sales.

In terms of profit, although the Segment was affected by raw material and fuel price hike, we could pass some of such cost increase onto sales prices. In addition, fixed cost reductions derived from the closure of the US toner factory in September 2020 still contributes to profits.

By prioritized production of high-margin toners and introduction of raw material from new suppliers, we were able to mitigate the negative impact on sales and profit from the toner raw material procurement difficulties caused by suppliers' situation, which was a concern at the beginning of current FY.

< Electronic Materials >

As for the Electronic Materials Segment, Net sales were ¥2,948 million, down ¥146 million or ▲4.7% from that of last FY H1, and Segment (operating) income was ¥202 million, down ¥468 million or ▲69.8% from that of last FY H1.

While the sales of the semiconductor-related products and electronic materials remained strong since Last FY H1, the optical film-related business experienced a sales decline due to the conclusion of one-time special demand projects.

Profits decreased from that of last FY H1, mainly due to lower sales in the optical film-related business.

< Functional Sheet >

As for the Functional Sheet Segment, net sales were ¥5,234 million, up ¥298 million or +6.1% from that of last FY H1, and Segment (operating) loss was ¥129 million (loss of ¥33 million in last FY H1).

While the existing business continued to shrink, the business focused on expanding sales of some products for which demand was strong, including products of its subsidiaries and some of cost increase was passed onto sales price increase to customers, resulting in current H1 sales increase from that of last FY H1.

On the cost front, structural reforms implemented in December 2019 and March 2022, including the shutdown of two large paper-manufacturing facilities, showed positive effects, still, costs were negatively affected by higher raw material and fuel prices.

< Security Media >

As for the Security Media Segment, Net sales were ¥1,907 million, up ¥13 million or +0.7% from that of last FY H1, and Segment (operating) income was ¥137 million, up ¥25 million or +22.7% from that of last FY H1.

Although demand remained stagnant for products like passbooks, a major product category, Net sales increased thanks to the expanded sales of card-related products and other products. The Segment worked to increase the in-house production ratio in order to reduce fixed costs.

Explanation regarding Financial Position

Total assets amounted to ¥43,776 million at the end of the Second Quarter of current FY, up ¥201 million from the end of last FY. Current assets totaled ¥21,721 million, up ¥326 million from the end of last FY. This was mainly due to an increase in cash and deposits resulting from a decrease in working capital requirements and an increase in inventories, despite a decrease in consumption taxes receivable recorded at the end of last FY due to a refund. Non-current assets totaled ¥22,054 million, a decrease of ¥125 million from the end of last FY. This was mainly due to the sales of the land and buildings of the US toner factory and a decrease in property, plant and equipment value by depreciation over time.

Total liabilities amounted to ¥24,572 million, down ¥1,385 million from the end of last FY. Current liabilities totaled ¥14,858 million, up ¥14 million from the end of last FY. This was mainly due to an increase in current portion of long-term loans payable, despite a decrease in notes and accounts payable for purchase of raw materials and a decrease in accrued expenses for miscellaneous expenses from the end of last FY. Non-current liabilities totaled ¥9,714 million, down ¥1,400 million from the end of last FY, mainly due to the repayment of long-term debt. Interest-bearing debt decreased ¥625 million from the end of last FY to ¥12,029 million.

Total equity amounted to ¥19,203 million, up ¥1,586 million from the end of last FY. This was due to the recording of net Income attributable to owners of parent, a decrease in treasury stock resulting from the conversion of a consolidated subsidiary into a wholly owned subsidiary through a share exchange, and an increase in foreign currency translation adjustments resulting from the depreciation of the yen against the dollar.

The Forecast of the reminder of FY2023

As for the Second Half (H2) of current FY and beyond, the market of display-related products has already entered an adjustment phase since this summer, and in the Toner business, orders are expected to decline due to inventory adjustments, mainly from major customers.

In the Semiconductor-related business, although we expect growth over the medium to long term, we believe that the supply-demand adjustment that began in the consumer products market will cascade into the automotive and other markets in H2 of current FY and beyond. In addition, the price hikes of raw material and fuel will take full effect on cost of goods sold, starting in H2 of current FY and beyond, unlike during current H1 when the effect of price increase only reached to work in progress and finished goods inventories stage. Since we will make strategic investments and spending for maintenance and renewal that are expected to benefit us in the future, for the time being the impact of those increased spending is expected to precede the return.

To navigate under such a difficult situation, we will further strengthen the approaches of sales price increase to pass on cost increase, and of production cost reduction through productivity improvement.

In addition, our efforts to strengthen our earnings base by shifting our business portfolio and promoting structural reforms are steadily yielding results, and we will further reallocate management resources to launch and mass-produce various new products.

We have decided to maintain the full-year forecast unchanged from that announced on July 22, 2022, taking into account the upward swing in the Second Quarter and an increase in profit attributable to the assumed depreciation of the yen against the dollar to around 140 yen per dollar, despite the expected deterioration of the business environment and cost increases in H2 of current FY and beyond.

By doing so, we make sure to realize our most recent forecast numbers.

Your continuous support of TOMOEGAWA will be greatly appreciated.