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Member, Financial Accounting Standards Foundation

The Announcement date: February 10, 2023 (14:00 JST)

## Consolidated Financial Results for the Nine Months Ended March 31, 2023 (Under Japanese GAAP)

Company name: TOMOEGAWA CO., LTD.  
 Listing: Tokyo Stock Exchange  
 Securities code: 3878  
 URL: <https://www.tomoegawa.co.jp/>  
 Representative: Yoshio Inoue, President and Representative Director, Group CEO  
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 Scheduled date to file quarterly securities report: February 13, 2023  
 Scheduled date to commence dividend payments: None  
 Preparation of supplementary material on quarterly financial results: None  
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the nine months ended March 31, 2023 (from April 1, 2022 to December 31, 2022)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	25,865	6.6	1,827	11.3	1,932	(3.0)	1,749	19.9
December 31, 2021	24,254	10.8	1,641	-	1,992	-	1,458	-

Note: (1) Comprehensive income For the nine months ended December 31, 2022: ¥1,915 million [6.7%]  
 For the nine months ended December 31, 2021: ¥1,795 million [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2022	161.40	-
December 31, 2021	144.04	-

Note: (2) The above per share information pertains to Common Stock.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets Per Share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2022	42,925	19,215	35.0	1,247.42
March 31, 2022	43,574	17,616	30.9	1,113.45

Reference: Equity  
 As of December 31, 2022: ¥15,012 million  
 As of March 31, 2022: ¥13,479 million

Note: The above per share information pertains to Common Stock.

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	0.00	-	15.00	15.00
Fiscal year ending March 31, 2023	-	0.00	-		
Fiscal year ending March 31, 2023 (Forecast)				15.00	15.00

Note:

- (1) Revisions to the forecast of cash dividends most recently announced: None
- (2) The above "2. Cash dividends" shows dividends for Common stock. For details of dividends for Preferred stock (unlisted), the rights of which are different from those of Common stock issued by the Company, please refer to "Reference: Dividends for Preferred Stock" below.

## 3. Forecasts of Consolidated financial results for Fiscal Year 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	34,500	5.2	1,500	(24.3)	1,550	(32.9)	1,500	(9.1)	134.99

Note: Revisions to the forecast of consolidated financial results most recently announced: None

\* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of December 31, 2022	10,389,406 shares
As of March 31, 2022	10,389,406 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2022	18,354 shares
As of March 31, 2022	169,232 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	10,371,052 shares
Nine months ended December 31, 2021	10,126,800 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

The forward-looking statements in this document, including earnings forecasts, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to various factors.

**Reference: Dividends for Preferred Stock**

The breakdown of dividends per share related to Class-A Preferred stock that have different rights from common stocks is as follows:

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	-	-	50.14	50.14
Fiscal year ending March 31, 2023	-	-	-		
Fiscal year ending March 31, 2023 (Forecast)				50.00	50.00

Note:

- (1) Dividends per share for the fiscal year ended March 31, 2022 is rounded down to the nearest one-hundredth of a yen.
- (2) Dividends per share for the fiscal year ended March 31, 2022 includes accrued cumulative dividend for the year ended March 31, 2021.

【Attachment】

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February 10, 2023

**Consolidated Third Quarter Results**

**April 1, 2022 through December 31, 2022 of Fiscal Year Ending on March 31, 2023**

Figures in Million Yen, unless otherwise noted

1. Net sales and Income

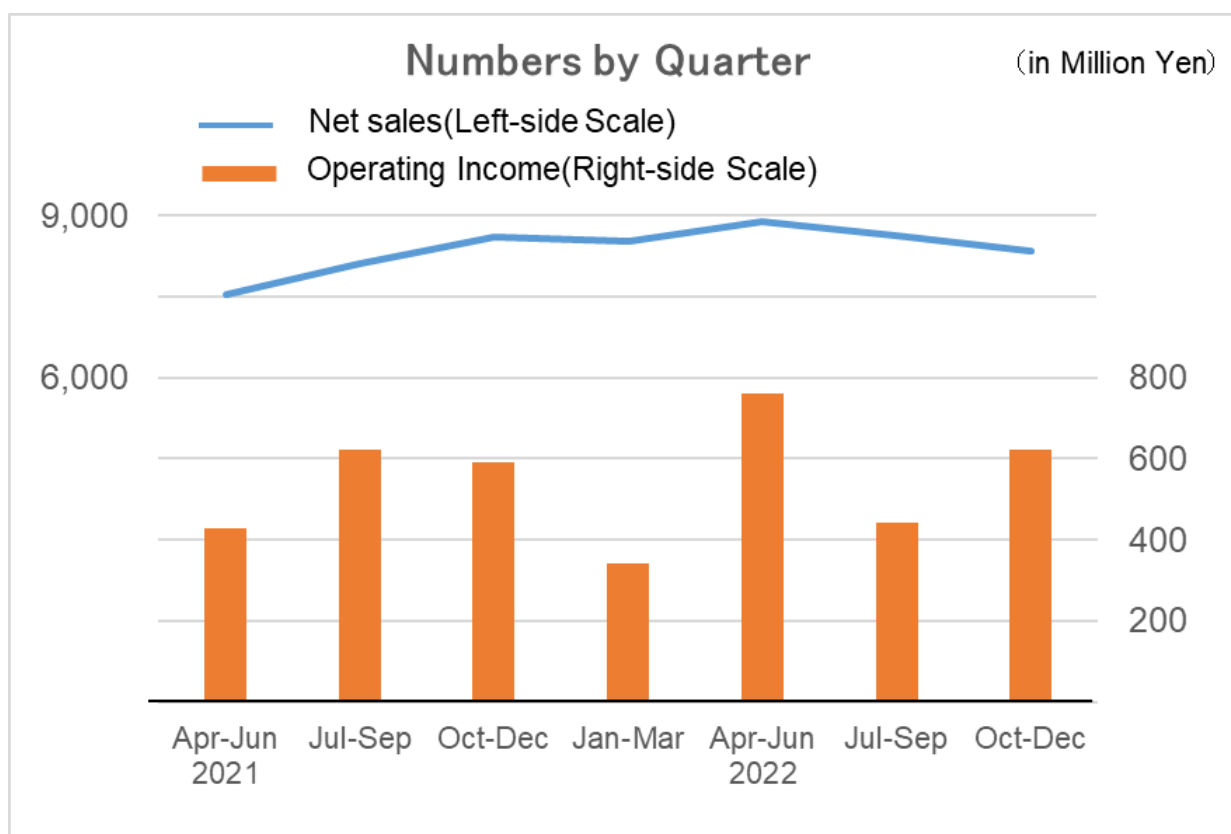
from April 1, 2022 through December 31, 2022

	Net sales	Operating Income	Ordinary Income	(Note1) Net Income	(Note1) Net Income Per Share
Current Fiscal Year (FY 2023) Third Quarter (3Q)	25,865	1,827	1,932	1,749	161.40Yen
Converted into Million U.S. dollars (Note2)	189.5	13.4	14.2	12.8	US\$1.18
Last Fiscal Year (FY 2022) 3Q	24,254	1,641	1,992	1,458	144.04Yen
Change to FY 2023 3Q from FY 2022 3Q	1,611	185	▲59	290	17.36Yen

Note1: "Net Income" in this paper is "Net Income attributable to owners of parent" in current accounting standards

Note2: The above per share information pertains to Common Stock

Note3: U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥136.52



## 2. Main Segment figures

		FY 2022 3Q	FY 2023 3Q	Change to FY 2023 3Q from FY 2022 3Q
Toner	Net sales	9,042	10,586	1,543
	Operating Income	871	1,882	1,010
Electronic Materials	Net sales	4,566	4,261	▲304
	Operating Income	829	157	▲671
Functional Sheet	Net sales	7,547	7,968	420
	Operating Income	▲79	▲65	13
Security Media	Net sales	2,930	2,869	▲61
	Operating Income	225	120	▲105

## 3. Financial Position

December 31, 2022

	Total Assets	Net Asset	Equity-to-asset ratio	Net assets Per Share
End of FY 2023 3Q December 31, 2022	42,925	19,215	35.0%	1,247.42Yen
Converted into Million U.S. dollars (Note)	323.5	144.8	-	US\$9.40
End of FY 2022 March 31, 2022	43,574	17,616	30.9%	1,113.45Yen

Note1: The above per share information pertains to Common Stock

Note2: U.S. dollar amounts are converted from Yen, for convenience only,  
at the rate of US\$1.00 = ¥132.70

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

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

## **Observation of Current Third Quarter Result**

During the Third Quarters (3Q) of the Fiscal Year (FY) 2023 (April to December 2022), market conditions for Semiconductor-related businesses deteriorated, but Toner business remained strong, and the Yen depreciation through mid-November boosted overseas-related sales. As a result, we recorded 3Q sales of ¥25,865 million, up ¥1,611 million or +6.6% from that of last FY.

As for the profit, our consolidated Operating Income was ¥1,827 million, up ¥185 million or +11.3% from last FY 3Q number. Following the adjustment in the display-related market from the second quarter, semiconductor market conditions also began to adjust, resulting in a deterioration of profit and loss in Electronic Materials segment. In addition to raw material price hikes, the increase in LNG for power generation and steam production at our plants and purchased electricity rates continued through December. Against these factors of decrease in profit, we thoroughly added the cost increase to the selling price, and this was supplemented by the positive effect of increased income from overseas-related sales.

The consolidated Ordinary Income is ¥1,932 million, down ¥59 million or ▲3.0% from that of last FY 3Q, due to the decrease in the equity gain from an affiliated company that handles processing of optical film used for displays.

Net Income is ¥1,749 million, up ¥290 million or +19.9% from that of last FY 3Q, mainly due to the increase in 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, and the gain on sales of investment securities.

## **Overview of main segment**

### < Toner >

As for the Toner Segment, Net sales were ¥10,586 million, up ¥1,543 million or +17.1% from that of last FY 3Q, and Segment (operating) income was ¥1,882 million, up ¥1,010 million or +115.9% from that of last FY 3Q.

While the demand for some products declined, market demand trends remained strong and orders remained firm. Yen depreciation trend in the foreign exchange market also provided boost to the sales.

In terms of profit, although the Segment was affected by the sharp rise in procurement prices of raw materials and fuels, we were able to transfer part of the impact in our selling prices.

By prioritized production of high-margin toners and introduction of raw material from new suppliers, we have resolved 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 ¥4,261 million, down ¥304 million or ▲6.7% from that of last FY 3Q, and Segment (operating) income was ¥157 million, down ¥671 million or ▲81.0% from that of last FY 3Q.

The sales declined due to a drop in demand as the semiconductor and electronic materials markets rapidly entered an adjustment phase, and the optical film-related business experienced a sales decline due to the conclusion of one-time special demand projects in the previous year.

Profits decreased from that of last FY 3Q, due to the decrease in sales in the optical film-related business and the decrease in sales due to deteriorating market conditions in semiconductor-related business.

#### < Functional Sheet >

As for the Functional Sheet Segment, Net sales were ¥7,968 million, up ¥420 million or +5.6% from that of last FY 3Q, and Segment (operating) loss was ¥65 million (loss of ¥79 million in last FY 3Q).

While the existing business continued to shrink, the business focused on expanding sales of some products with strong demand, including products of its subsidiaries, and proceeded with some price revisions, resulting in current 3Q sales increase from that of last FY 3Q.

Profits were affected by higher procurement prices for raw materials and fuel, but the deficit was reduced compared to Last FY 3Q, mainly thanks to the effects of structural reforms implemented in December 2019 and March 2022, including the shutdown of two large paper-manufacturing facilities.

#### < Security Media >

As for the Security Media Segment, Net sales were ¥2,869 million, down ¥61 million or ▲2.1% from that of last FY 3Q, and Segment (operating) income was ¥120 million, down ¥105 million or ▲46.7% from that of last FY 3Q.

Even though the increased sales of card-related products and other products, net sales declined due to the continued stagnant demand for passbooks and other products, as well as the conclusion of a one-time special demand project in the previous year.

On the cost front, despite the effect of efforts to improve the in-house production ratio and further curb fixed costs, the Segment was affected by rising raw material and fuel prices, and the write-down of some inventories.

### **Explanation regarding Financial Position**

Total assets amounted to ¥42,925 million at the end of the Third Quarter of current FY, down ¥649 million from the end of last FY. Current assets totaled ¥21,435 million, up ¥40 million from the end of last FY. This was mainly due to an increase in inventories, despite a decrease in notes and accounts receivable compared to the end of last FY. Non-current assets totaled ¥21,490 million, a decrease of ¥689 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 ¥23,710 million, down ¥2,247 million from the end of last FY. Current liabilities totaled ¥14,697 million, down ¥145 million from the end of last FY. This was mainly due to a decrease in notes and accounts payable and a decrease in provision for bonuses for winter bonus payments, despite an increase in current portion of long-term loans payable. Non-current



liabilities totaled ¥9,012 million, down ¥2,102 million from the end of last FY, mainly due to the repayment of long-term debt. Interest-bearing debt decreased ¥1,570 million from the end of last FY to ¥11,084 million.

Net assets amounted to ¥19,215 million, up ¥1,598 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.

### **The Forecast of the remainder of FY2023**

As for the Fourth Quarters of current FY, in the Toner business, which has been the driving force behind the company's performance current FY, orders are expected to decline due to inventory adjustments of some products, mainly for major customers, and the company plans to make temporary production adjustments. During this time, it will concentrate on facility modification, maintenance and repair work that could not be done during the busy season.

In the Semiconductor-related business, although we expect growth over the medium to long term, we expect the current adjustment phase will continue for some time.

Furthermore, although we expect that the continuous increase in procurement prices of raw materials and fuels will settle down in the future, we expect that the effects on profit and loss will be fully realized toward the end of current FY via semi-finished products and finished goods inventories.

We have decided to maintain the full-year forecast unchanged from that announced on July 22, 2022, even though each stage of profit has already exceeded the annual announcement, while taking into account the results through 3Q, in consideration of the expected deterioration in the business environment and full-scale cost increases, as well as the ongoing appreciation of the yen, especially in the toner business, which is expanding its business overseas.

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

Your continuous support of TOMOEGAWA will be greatly appreciated.