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

Consolidated Financial Results for the Three Months Ended March 31, 2024 (Under Japanese GAAP)

Company name: TOMOEGAWA CO., LTD.
Listing: Tokyo Stock Exchange
Securities code: 3878
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Scheduled date to file quarterly securities report: August 14, 2023
Scheduled date to commence dividend payments: -
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 three months ended March 31, 2024 (from April 1, 2023 to June 30, 2023)

(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	%
Three months ended June 30, 2023	8,315	(6.5)	432	(43.2)	594	(37.1)	341	(70.3)
June 30, 2022	8,894	18.0	761	78.1	944	61.6	1,150	175.9

Note: (1) Comprehensive income For the three months ended June 30, 2023: ¥ 829 million [(48.5 %)]
For the three months ended June 30, 2022: ¥1,610 million [264.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	31.77	-
June 30, 2022	108.49	-

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 June 30, 2023	44,859	18,989	32.2	1,296.72
March 31, 2023	42,948	18,370	32.7	1,251.36

Reference: Equity
As of June 30, 2023: ¥14,460 million
As of March 31, 2023: ¥14,027 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, 2023	-	0.00	-	15.00	15.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (Forecast)		0.00	-	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 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half	17,500	(0.2)	600	(50.2)	600	(55.9)	200	(84.1)	16.87
Full year	36,000	5.4	1,500	(26.9)	1,500	(30.3)	600	(58.7)	53.03

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

* **Notes**

- (1) Changes in significant subsidiaries during the first three months ended June 30, 2023 (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 June 30, 2023	10,389,406 shares
As of March 31, 2023	10,389,406 shares

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

As of June 30, 2023	18,354 shares
As of March 31, 2023	18,354 shares

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

Three months ended June 30, 2023	10,371,052 shares
Three months ended June 30, 2022	10,371,053 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. For the assumptions used as the basis for the earnings forecasts and special remarks regarding the use of the earnings forecasts, please refer to “ I . Qualitative information regarding financial results for the first three months 3. Explanation of consolidated earnings forecasts and other forward-looking statements” on page 7 (Attached Material).

Reference: Dividends for Preferred Stock

The breakdown of dividends per share related to Class-A Preferred stock that have different rights from common stock 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, 2023	-	-	-	50.00	50.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (Forecast)		-	-	50.00	50.00

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I . Qualitative information regarding financial results for the first three months

Figures in Million Yen, unless otherwise noted

1. Explanation of operating results

(1) Review of operating results

• Net sales and profit (loss)

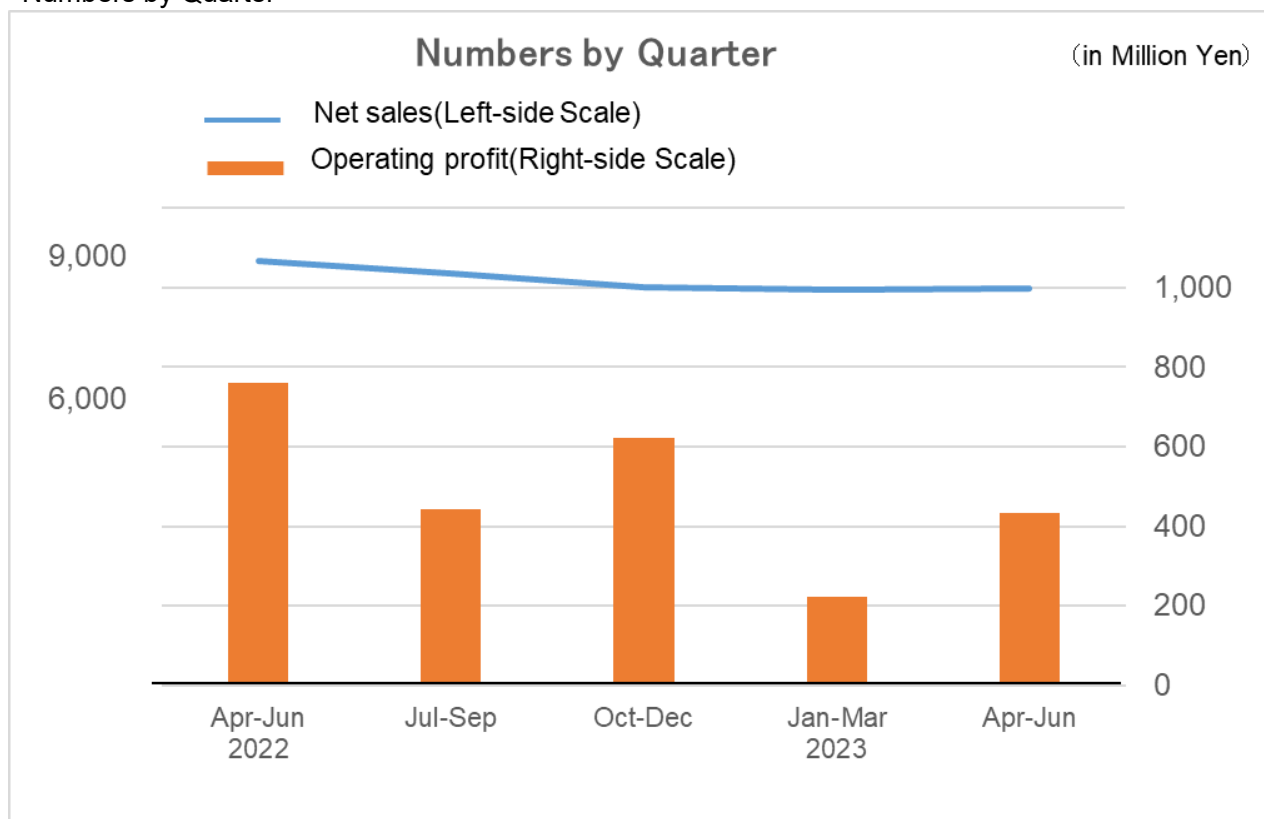
from April 1, 2023 through June 30, 2023

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	(Note1) Basic earnings per share
Current Fiscal Year (FY 2024) First Quarter (1Q)	8,315	432	594	341	31.77Yen
Converted into Million U.S. dollars (Note2)	58.9	3.1	4.2	2.4	US\$0.22
Previous Fiscal Year (FY 2023) 1Q	8,894	761	944	1,150	108.49Yen
Change to FY 2024 from FY 2023	▲579	▲328	▲350	▲808	▲76.72Yen
Percent Change from FY 2023 number	▲6.5%	▲43.2%	▲37.1%	▲70.3%	-

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 = ¥141.27

• Numbers by Quarter



• Observation of the First Quarter of the Fiscal Year 2024 (April to June, 2023)

During the First Quarter (1Q) of the Fiscal Year (FY) 2024 (April to June, 2023), net sales amounted to ¥8,315 million, down ¥579 million or ▲6.5% from that of the previous FY, when the Toner Segment was particularly strong. In the Semiconductor-related business, the market adjustment that has continued since the second half of the previous FY has been prolonged. In addition, due to the slowdown of the Chinese economy and other factors, inventory adjustments and price competition have expanded since the end of the previous FY in the Toner Segment, and sales of some functional non-woven fabric-related products were also affected. On the other hand, there was a temporary increase in orders in the Display-related business.

Operating profit was ¥432 million, down ¥328 million or ▲43.2% from the previous 1Q number. The impact of lower sales in the Semiconductor-related business was absorbed by an increase in orders in the Display-related business, which shares core facilities. In addition, the positive effects of the penetration of price pass-on activities from the previous FY and the depreciation of the yen. However, the negative impact of lower sales in the Toner Segment and higher raw material and fuel procurement costs, combined with increased expenditures for upfront costs related to the launch of new products.

Ordinary profit is ¥594 million, down ¥350 million or ▲37.1% from that of the previous FY 1Q, due to lower Operating profit, despite foreign exchange gains resulting from the depreciation of the yen and the equity earnings from an affiliated company that handles processing of optical film used for displays.

Profit attributable to owners of parent is ¥341 million, down ¥808 million or ▲70.3% from that of the previous FY 1Q, due to a decrease in Ordinary profit and the absence of extraordinary income from asset sales recorded in the previous FY 1Q.

On the other hand, many of the above-mentioned factors that may cause a decrease in profits were factored in at the beginning of the period, and the company's performance, especially in terms of profits, has been favorable compared to the May 12, 2023, consolidated earnings forecast.

(2) Consolidated operating results by segment

• Reportable segments figures

		FY 2023 1Q	FY 2024 1Q	Change to FY 2024 from FY 2023	Percent Change from FY 2023 numbers
Toner	Net sales	3,805	2,789	▲1,015	▲26.7%
	Operating profit	652	277	▲375	▲57.6%
Semiconductor and Display- related	Net sales	1,497	1,724	227	15.2%
	Operating profit	156	160	3	2.2%
Functional Sheet	Net sales	2,628	2,654	25	1.0%
	Operating loss	▲28	▲2	26	-
Security Media	Net sales	908	1,081	172	19.0%
	Operating profit	49	89	40	81.0%
New business development	Net sales	17	10	▲6	▲37.8%
	Operating loss	▲111	▲128	▲17	-

• Overview of reportable segments

For better understanding of the Group's future vision and business development activities, the Company has changed the names of some of its reportable segment as follows, effective from the first quarter of the current consolidated fiscal year.

The former "Electronic Materials Segment" was renamed to the "Semiconductor and Display-related Segment" because the Company is developing its business in the field of semiconductors, electronic components, and displays, which are widely used in the IT, automobile, and consumer electronics industries, by utilizing Heat, Electricity and Electromagnetic waves control technologies and adhesive technologies.

The former "Functional Paper Segment" was renamed to the "Functional Sheet Segment" because this segment's raw materials and products are not limited to paper and is developing its business by adding functions to various sheets converted from various fibers using special paper-making technology and coating technology.

< Toner >

As for the Toner Segment, net sales were ¥2,789 million, down ¥1,015 million or ▲26.7% from that of the previous FY 1Q, and Segment (operating) profit was ¥277 million, down ¥375 million or ▲57.6% from that of the previous FY 1Q.

Despite an increase in overseas-related sales thanks to the depreciation of the yen, the decrease in net sales was caused by a decline in orders received that have continued since the end of the previous FY, as a result of inventory adjustments among major customers. Price competition with competitors has also accelerated this trend. Segment (operating) profit decreased due to the significant sales decline and higher costs from higher raw material and fuel prices.

< Semiconductor and Display-related >

As for the Semiconductor and Display-related Segment, net sales were ¥1,724 million, up ¥227 million or +15.2% from that of the previous FY 1Q, and Segment (operating) profit was ¥160 million, up ¥3 million or +2.2% from that of the previous FY 1Q.

Net sales of the semiconductor mounting tape SBU exceeded the plan due to the continued adjustment in the semiconductor market, but were down compared to the previous FY, which was particularly strong. On the other hand, net sales of the optical film SBU increased thanks to a large number of orders received in the current FY 1Q. Segment (operating) profit increased from the same period of the previous FY 1Q, despite an increase in new product development costs, thanks to the effect of higher sales in the Optical film SBU, as well as an increase in the operating rate of coating machines, a key facility common to this segment.

< Functional Sheet >

As for the Functional Sheet Segment, net sales were ¥2,654 million, up ¥25 million or +1.0% from that of the previous FY 1Q, and Segment (operating) loss was ¥2 million (loss of ¥28 million in the previous FY 1Q).

Although orders for the functional non-woven fabric SBU were sluggish due to the slowdown of the Chinese economy, net sales of the processed paper SBU were firm, and price revisions of some products in the coated paper SBU led to an increase in net sales compared to the same period of the previous FY. Although costs increased due to higher raw material and fuel prices, the loss narrowed compared to the same period of the previous FY thanks to the reflection of cost increases in product prices, as well as an increase in revenue from the processed paper SBU.

< Security Media >

As for the Security Media Segment, net sales were ¥1,081 million, up ¥172 million or +19.0% from that of the previous FY 1Q, and Segment (operating) profit was ¥89 million, up ¥40 million or +81.0% from that of the previous FY 1Q.

Despite a decrease in card-related products, passbooks and other products increased, as did orders for advertising printed materials. Segment (operating) profit were affected by higher energy prices, but benefited from increased net sales.

< New business development >

As for the New business development Segment, net sales were ¥10 million, down ¥6 million or ▲37.8% from that of the previous FY 1Q, and Segment (operating) loss was ¥128 million (loss of ¥111 million in the previous FY 1Q).

The Company is mainly engaged in the development and net sales of iCas-related products, and is particularly focused on the launch of new products for semiconductor manufacturing equipment.

2. Explanation of financial position

• Financial Position

June 30, 2023

	Total Assets	Net Asset	Equity-to-asset ratio	(Note1) Net assets per share
End of FY 2024 1Q June 30, 2023	44,859	18,989	32.2%	1,296.72Yen
Converted into Million U.S. dollars (Note2)	309.4	131.0	-	US\$8.94
End of FY 2023 March 31, 2023	42,948	18,370	32.7%	1,251.36Yen
Change to FY 2024 1Q from FY 2023	1,911	619	▲0.5%	45.36Yen

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 = ¥144.99

• Explanation regarding Financial Position

Total assets amounted to ¥44,859 million at the end of the current FY 1Q, up ¥1,911 million from the end of the previous FY. Current assets totaled ¥23,167 million, up ¥1,630 million from the end of the previous FY. This was mainly due to an increase in cash and deposits, as well as an increase in finished goods, raw materials and supplies. Non-current assets totaled ¥21,691 million, an increase of ¥280 million from the end of the previous FY. This was mainly due to an increase in value of invested marketable securities.

Total liabilities amounted to ¥25,869 million, up ¥1,292 million from the end of the previous FY. Current liabilities totaled ¥17,437 million, up ¥1,359 million from the end of the previous FY. This was mainly due to an increase in notes and accounts payable and short-term borrowings, despite a decrease in current portion of long-term loans payable. Non-current liabilities totaled ¥8,431 million, down ¥67 million from the end of the previous FY, mainly due to the repayment of long-term debt. Interest-bearing debt increased ¥698 million from the end of the previous FY to ¥13,411 million.

Total net assets amounted to ¥18,989 million, up ¥619 million from the end of the previous FY. This was due to the recording of Profit attributable to owners of parent and an increase in foreign currency translation adjustments resulting from the depreciation of the yen against foreign currencies.

3. Explanation of consolidated earnings forecasts and other forward-looking statements

The Toner Segment accounts for more than 30% of consolidated net sales, while the impact of deteriorating market conditions in China and Southeast Asia is growing, the Company will develop aggressive measures to leverage its competitive advantage by focusing on further expanding market share, and developing markets in emerging countries. In the Functional Sheet Segment, we expect the impact of the slowdown in the Chinese economy to continue for some time, especially in the functional non-woven fabric, where we expect future growth. Therefore, toward the latter half of the current FY, the Company will make investments that contribute to upgrading its facilities to prepare for future growth, and maintain and improve its competitiveness. In the Semiconductor-related business, recovery of mainstay products is expected to be delayed until next year or later. We will continue to closely monitor market changes and focus on developing new products for semiconductor production equipment. The Display-related business, which has been strong recently, is highly volatile due to the nature of the industry, and in anticipation of a sharp decline in orders in the latter half of the current FY, we will further improve productivity and consider facility consolidation. The contribution of equity in earnings from affiliated companies that handles processing of optical film used for displays is also expected to decrease in the future.

Although the three-month results have been favorable, with Profit attributable to owners of parent for 1Q exceeding the forecast for the first half of the current FY, the company decided to leave its earnings forecast unchanged from the current announcement made on May 12, 2023. This is because in the Toner Segment, we expects a profit decline due to inventory adjustments especially in the second quarter, and we also plan to conduct periodic repair work during the summer vacation.

Your continuous support of TOMOEGAWA will be greatly appreciated.

II. Quarterly consolidated financial statements and significant notes thereto

1. Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	4,353	5,741
Notes and accounts receivable - trade	6,557	6,464
Finished goods	6,837	7,200
Work in process	61	60
Raw materials and supplies	2,310	2,472
Other	1,430	1,240
Allowance for doubtful accounts	△13	△12
Total current assets	21,537	23,167
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,475	4,460
Machinery, equipment and vehicles, net	3,628	3,621
Land	5,398	5,398
Other, net	2,031	2,122
Total property, plant and equipment	15,533	15,603
Intangible assets	391	386
Investments and other assets		
Investment securities	5,012	5,245
Other	547	459
Allowance for doubtful accounts	△74	△3
Total investments and other assets	5,485	5,701
Total non-current assets	21,410	21,691
Total assets	42,948	44,859
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,222	5,885
Short-term borrowings	4,289	5,918
Current portion of long-term borrowings	2,433	1,642
Income taxes payable	146	141
Provision for bonuses	518	249
Other	3,468	3,600
Total current liabilities	16,078	17,437
Non-current liabilities		
Long-term borrowings	5,339	5,236
Retirement benefit liability	1,446	1,447
Provision for retirement benefits for directors (and other officers)	309	309
Other	1,404	1,438
Total non-current liabilities	8,498	8,431
Total liabilities	24,577	25,869

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	2,122	2,122
Capital surplus	2,033	2,033
Retained earnings	8,197	8,333
Treasury shares	△31	△31
Total shareholders' equity	12,322	12,458
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	241	339
Foreign currency translation adjustment	492	739
Remeasurements of defined benefit plans	971	922
Total accumulated other comprehensive income	1,705	2,002
Non-controlling interests	4,342	4,528
Total net assets	18,370	18,989
Total liabilities and net assets	42,948	44,859

2. Consolidated statement of income (quarterly) and consolidated statement of comprehensive income (quarterly)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	8,894	8,315
Cost of sales	6,822	6,389
Gross profit	2,071	1,925
Selling, general and administrative expenses	1,310	1,492
Operating profit	761	432
Non-operating income		
Interest income	1	4
Dividend income	38	43
Foreign exchange gains	—	58
Share of profit of entities accounted for using equity method	180	95
Other	37	22
Total non-operating income	257	223
Non-operating expenses		
Interest expenses	47	48
Other	26	14
Total non-operating expenses	74	62
Ordinary profit	944	594
Extraordinary income		
Gain on sale of non-current assets	453	1
Total extraordinary income	453	1
Extraordinary losses		
Impairment losses	24	38
Other	0	4
Total extraordinary losses	24	42
Profit before income taxes	1,373	553
Income taxes - current	139	97
Income taxes - deferred	△10	17
Total income taxes	128	115
Profit	1,245	438
Profit attributable to		
Profit attributable to owners of parent	1,150	341
Profit attributable to non-controlling interests	95	96
Other comprehensive income		
Valuation difference on available-for-sale securities	△13	133
Foreign currency translation adjustment	416	305
Remeasurements of defined benefit plans, net of tax	△37	△48
Total other comprehensive income	364	390
Comprehensive income	1,610	829
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,418	638
Comprehensive income attributable to non-controlling interests	191	190

3. Notes to quarterly consolidated financial statements
(Notes on Going Concern Assumption)

None.

(Notes on significant changes in the amount of shareholders' equity)

None.

(Segment Information)

I Previous fiscal year (From April 1, 2022 to June 30, 2022)

Information concerning net sales and profit (loss) by reporting segment, and disaggregated revenue information

(Millions of yen)

	Reportable segments						(Note 1) Other	Total	(Note 2) Reconciling items	(Note 3) Per consolidated financial statements
	Toner	Semiconductor and Display- related	Function al Sheet	Security media	New business developm ent	Reportab le segments				
Net sales										
Japan	564	805	2,408	908	17	4,704	19	4,723	—	4,723
China (including Hong Kong)	1,297	111	44	—	—	1,453	—	1,453	—	1,453
Other Asia	392	572	140	—	—	1,105	—	1,105	—	1,105
Europe	1,079	0	0	—	—	1,081	—	1,081	—	1,081
North America	361	7	34	—	—	403	—	403	—	403
Other	110	—	—	—	—	110	—	110	—	110
Revenue from contracts with customers	3,805	1,497	2,628	908	17	8,857	19	8,877	—	8,877
Other revenue	—	—	—	—	—	—	17	17	—	17
Revenues from external customers	3,805	1,497	2,628	908	17	8,857	36	8,894	—	8,894
Transactions with other segments	—	—	105	29	—	134	162	296	(296)	—
Net sales	3,805	1,497	2,733	938	17	8,992	199	9,191	(296)	8,894
Segment profit (loss)	652	156	(28)	49	(111)	719	26	745	15	761

Notes:

1. The "Other" classification is for business segments not included in a reportable segment and includes logistics services, etc.
2. Segment profit (loss) in the above adjustment ¥15 million represents eliminations for inter-segment transactions.
3. Segment profit (loss) is reconciled to Operating profit presented in the Consolidated statement of income (quarterly) and consolidated statement of comprehensive income (quarterly).

II Current fiscal year (From April 1, 2023 to June 30, 2023)

1. Information concerning net sales and profit (loss) by reporting segment, and disaggregated revenue information

(Millions of yen)

	Reportable segments						(Note 1) Other	Total	(Note 2) Reconciling items	(Note 3) Per consolidated financial statements
	Toner	Semiconductor and Display- related	Function al Sheet	Security media	New business developm ent	Reportab le segments				
Net sales										
Japan	501	986	2,381	1,081	10	4,961	36	4,998	—	4,998
China (including Hong Kong)	756	50	19	—	—	827	—	827	—	827
Other Asia	311	677	214	—	—	1,202	—	1,202	—	1,202
Europe	980	1	1	—	—	983	—	983	—	983
North America	176	9	36	—	—	222	—	222	—	222
Other	62	—	—	—	—	62	—	62	—	62
Revenue from contracts with customers	2,789	1,724	2,654	1,081	10	8,261	36	8,297	—	8,297
Other revenue	—	—	—	—	—	—	17	17	—	17
Revenues from external customers	2,789	1,724	2,654	1,081	10	8,261	54	8,315	—	8,315
Transactions with other segments	—	—	449	10	—	459	154	614	(614)	—
Net sales	2,789	1,724	3,103	1,091	10	8,720	209	8,929	(614)	8,315
Segment profit (loss)	277	160	(2)	89	(128)	359	25	421	11	432

Notes:

1. The "Other" classification is for business segments not included in a reportable segment and includes logistics services, etc.
2. Segment profit (loss) in the above adjustment ¥11 million represents eliminations for inter-segment transactions.
3. Segment profit (loss) is reconciled to Operating profit presented in the Consolidated statement of income (quarterly) and consolidated statement of comprehensive income (quarterly).

2. Matters related to changes in reportable segments, etc.

For better understanding of the Group's future vision and business development activities, the Company has changed the name of our reportable segment from the former "Electronic Materials Segment" to "Semiconductor and Display-related Segment" and from the former "Functional Paper Segment" to the "Functional Sheet Segment" effective from the first quarter of the current consolidated fiscal year.

The segment information for the first quarter of the previous fiscal year is disclosed under the new reporting segment name. However, there is no change in the method of classifying reportable segment.