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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2022 [J-GAAP]

May 11, 2022

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 Listing: Tokyo Stock Exchange (Prime Market)
 Securities Code: 4186 URL: <https://www.tok.co.jp/eng>
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 Scheduled date to file quarterly securities report: May 12, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2022 (January 1, 2022 to March 31, 2022)

(1) Consolidated Operating Results

(% indicates the rate of increase/decrease year-on-year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First three months ended								
March 31, 2022	39,599	27.9	6,944	44.4	7,230	46.0	4,970	44.7
March 31, 2021	30,971	11.5	4,808	47.5	4,953	53.6	3,435	53.3

(Note) Comprehensive income: First three months ended March 31, 2022 ¥7,465 million [6.6%]
 First three months ended March 31, 2021 ¥7,004 million [- %]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First three months ended				
March 31, 2022	123.75		123.53	
March 31, 2021	82.75		82.55	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	220,772	167,803	71.8	3,947.16
December 31, 2021	217,264	165,190	71.7	3,880.18

(Reference) Equity: As of March 31, 2022: ¥158,542 million As of December 31, 2021: ¥155,829 million

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen				
Fiscal year ended December 31, 2021	-	62.00	-	94.00	156.00
Fiscal year ending December 31, 2022	-				
Fiscal year ending December 31, 2022 (Forecast)		78.00	-	80.00	158.00

(Note) Revisions to the most recently disclosed dividend forecasts: None

3. Consolidated Financial Results Forecast for Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(% indicates the rate of increase/decrease against the same period of the previous year)

	Net sales		Operating income		Ordinary income		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	78,500	21.1	12,000	25.3	12,300	22.4	8,000	25.0	199.14
Full year	162,100	15.7	24,600	18.8	25,100	15.9	16,700	(5.9)	415.58

(Note) Revisions to the most recently disclosed earnings forecasts: None

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting treatment in preparing the 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: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(Note): Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10.

(4) Number of issued shares (common shares)

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

As of March 31, 2022	42,600,000 shares
As of December 31, 2021	42,600,000 shares

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

As of March 31, 2022	2,433,761 shares
As of December 31, 2021	2,439,651 shares

- (iii) Average number of shares outstanding during the period

First three months ended March 31, 2022	40,162,516 shares
First three months ended March 31, 2021	41,512,737 shares

* The Financial Results report is outside the scope of a quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of earnings forecasts and other special notes

The earnings forecasts stated in this report are based on the information available as of the date of the release of this report, and actual results may differ from these forecasts due to a variety of factors.

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1. Qualitative Information on Consolidated Financial Results for the First Three Months of the Fiscal Year Ending December 2022

(1) Explanation about Operating Results

During the three months ended March 31, 2022, the global economy continued to show signs of recovery in many regions while the effect of COVID-19 weighed on certain Asian economies.

Amid such circumstances, the Group launched “TOK Medium-Term Plan 2024,” a three-year medium-term plan ending in FY2024, under the management vision to become “The e-Material Global Company” contributing to a sustainable future through chemistry. With the slogan of “Boost up TOK!”, the Plan aims to attain the long-term vision TOK Vision 2030 by developing and promoting the following five company-wide strategies: (1) Increase global market share of cutting-edge photoresist, (2) Acquire and create core technologies in electronic materials and new fields, (3) Secure stable supply of high-quality products and establish an optimal production system for the Group, (4) Improve employee engagement and promote people-oriented management, and (5) Build sound and efficient management foundation.

In the Material Business, net sales significantly increased year on year due to a growth in the semiconductor market driven by the spread of 5G and IoT and the growing data server market, etc. In the Equipment Business, net sales increased year on year against a backdrop of growing demand for high performance semiconductors.

As a result, for the three months ended March 31, 2022, the Group recorded net sales of ¥39,599 million (up 27.9% year-on-year), operating income of ¥6,944 million (up 44.4% year-on-year), ordinary income of ¥7,230 million (up 46.0% year-on-year), and profit attributable to owners of parent of ¥4,970 million (up 44.7% year-on-year).

Effective January 1, 2022, the Group applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020), etc., and its impact was insignificant. Please see “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” for details.

Operating results by segment are as follows:

1) Material Business

Net sales in the Material Business segment, excluding internal transactions were ¥39,162 million (up 27.8% year-on-year), and operating income was ¥8,216 million (up 33.6% year-on-year), mainly due to strong sales of electronic functional materials and high-purity chemicals.

	Three months ended March 31, 2021	Three months ended March 31, 2022	Change	(Millions of yen) %
Net sales	30,637	39,162	8,525	27.8%
Operating income	6,151	8,216	2,065	33.6%

Overview by division is as follows.

In the Electronic Functional Materials Division, net sales increased to ¥21,093 million (up 16.3% year-on-year). This was mainly due to increased net sales because sales of semiconductor photoresists, etc. remained steady, supported by spread of 5G and IoT, etc. and strong semiconductor demand for data servers although sales of photoresists for Micro Electro Mechanical Systems (MEMS), high-density integration materials, decreased as a result of changes in users’ demand.

Net sales in the High-Purity Chemicals Division increased significantly to ¥17,870 million (up 43.1% year-on-year) mainly due to increased net sales because sales of chemicals attached to semiconductor photoresists used in the semiconductor production process remained steady.

2) Equipment Business

Net sales in the Equipment Business segment, excluding internal transactions were ¥436 million (up 30.7% year-on-year), and operating loss decreased by ¥122 million from a year earlier to ¥1 million mainly because sales of materials related to wafer handling system Zero Newton[®] increased year on year.

	Three months ended March 31, 2021	Three months ended March 31, 2022	Change	(Millions of yen) %
Net sales	334	436	102	30.7%
Operating loss	(124)	(1)	122	—

(2) Explanation about Financial Position

(Assets)

Total assets as of March 31, 2022 increased by ¥3,508 million from December 31, 2021 to ¥220,772 million.

Total current assets increased by ¥1,699 million mainly due to an increase in merchandise and finished goods of ¥1,173 million.

Total non-current assets increased by ¥1,808 million mainly because other in property, plant and equipment increased by ¥1,875 million due to capital investments.

(Liabilities)

Total liabilities as of March 31, 2022 increased by ¥895 million from December 31, 2021 to ¥52,968 million mainly because current liabilities increased by ¥1,068 million due to an increase in notes and accounts payable - trade.

(Net assets)

Total net assets as of March 31, 2022 increased by ¥2,613 million from December 31, 2021 to ¥167,803 million mainly because retained earnings increased by ¥1,175 million due to recording profit and foreign currency translation adjustment increased by ¥1,841 million due to weak yen.

As a result, the equity ratio as of March 31, 2022 stood at 71.8%.

(3) Explanation about Future Forecast Information Including Consolidated Earnings Forecasts

There has been no change in the earnings forecasts announced on February 14, 2022.

In the event that we need to revise them due to COVID-19, we will disclose promptly.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY12/21 (As of December 31, 2021)	First quarter of FY12/22 (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	56,835	56,897
Notes and accounts receivable - trade	33,895	33,751
Securities	3,999	3,999
Merchandise and finished goods	9,451	10,625
Work in process	4,606	5,420
Raw materials and supplies	7,292	7,609
Other	2,921	2,368
Allowance for doubtful accounts	(120)	(89)
Total current assets	118,883	120,583
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,251	31,449
Other, net	25,680	27,556
Total property, plant and equipment	56,932	59,005
Intangible assets	837	1,096
Investments and other assets		
Retirement benefit asset	4,658	4,695
Long-term time deposits	18,000	18,000
Other	17,957	17,397
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	40,610	40,087
Total non-current assets	98,380	100,189
Total assets	217,264	220,772

(Millions of yen)

	FY12/21 (As of December 31, 2021)	First quarter of FY12/22 (As of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,250	20,280
Short-term borrowings	3,900	3,900
Income taxes payable	4,278	2,042
Provision for bonuses	2,488	3,531
Other	9,739	10,970
Total current liabilities	39,656	40,725
Non-current liabilities		
long-term borrowings	6,711	6,711
Retirement benefit liability	609	639
Other	5,095	4,892
Total non-current liabilities	12,416	12,243
Total liabilities	52,073	52,968
Net assets		
Shareholders' equity		
Share capital	14,640	14,640
Capital surplus	15,207	15,207
Retained earnings	124,806	125,982
Treasury shares	(11,818)	(11,793)
Total shareholders' equity	142,836	144,036
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,851	6,568
Foreign currency translation adjustment	5,618	7,460
Remeasurements of defined benefit plans	522	477
Total accumulated other comprehensive income	12,993	14,505
Share acquisition rights	215	215
Non-controlling interests	9,146	9,045
Total net assets	165,190	167,803
Total liabilities and net assets	217,264	220,772

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Quarterly Consolidated Statement of Income for the First Three Months)

(Millions of yen)

	First three months of FY 12/21 (January 1, 2021 – March 31, 2021)	First three months of FY 12/22 (January 1, 2022 – March 31, 2022)
Net sales	30,971	39,599
Cost of sales	19,722	25,212
Gross profit	11,249	14,387
Selling, general and administrative expenses	6,440	7,442
Operating income	4,808	6,944
Non-operating income		
Interest income	29	32
Dividend income	28	52
Foreign exchange gains	310	426
Other	62	83
Total non-operating income	431	594
Non-operating expenses		
Interest expenses	16	19
Loss on valuation of derivatives	249	242
Other	20	47
Total non-operating expenses	286	309
Ordinary income	4,953	7,230
Extraordinary income		
Other	1	—
Total extraordinary income	1	—
Extraordinary losses		
Loss on retirement of non-current assets	25	4
Other	0	—
Total extraordinary losses	25	4
Profit before income taxes	4,929	7,226
Income taxes - current	1,170	1,597
Income taxes - deferred	(123)	54
Total income taxes	1,047	1,651
Profit attributable to	3,881	5,574
Profit attributable to non-controlling interests	446	603
Profit attributable to owners of parent	3,435	4,970

(Quarterly Consolidated Statement of Comprehensive Income)**(Quarterly Consolidated Statement of Comprehensive Income for the First Three Months)**

(Millions of yen)

	First three months of FY 12/21 (January 1, 2021 – March 31, 2021)	First three months of FY 12/22 (January 1, 2022 – March 31, 2022)
Profit attributable to owners of parent	3,881	5,574
Other comprehensive income		
Valuation difference on available-for-sale securities	1,115	(283)
Foreign currency translation adjustment	2,016	2,219
Remeasurements of defined benefit plans	(8)	(45)
Other comprehensive income	3,122	1,891
Comprehensive income	7,004	7,465
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,151	6,483
Comprehensive income attributable to non-controlling interests	852	982

(3) Notes to Quarterly Consolidated Financial Statements
(Notes Concerning Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of the accounting standard for revenue recognition)

The Company applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020, “Accounting Standard for Revenue Recognition”), etc. from January 1, 2022, and recognizes revenue at an amount that it expects to receive in exchange for the promised goods or services when the control of the goods or services is transferred to a customer.

The Group’s performance obligation is sales of goods, and we recognize revenue from domestic sales of merchandise and finished goods when the shipment is completed if control of the merchandise or finished goods is transferred to customers within a normal period after the shipment in accordance with the alternative treatment provided for in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition.

We applied the Accounting Standard for Revenue Recognition, etc. from January 1, 2022 pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, with the cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to January 1, 2022, adjusted to the beginning balance of retained earnings as of January 1, 2022, but there was no impact on the beginning balance. The impact on the quarterly financial statements is insignificant.

Pursuant to the transitional treatment provided for in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue arising from contracts with customers for the three months ended March 31, 2021 is not presented.

(Application of the accounting standard for fair value measurement)

The Company applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019, “Accounting Standard for Fair Value Measurement”), etc. from January 1, 2022, and the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement, etc. are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the quarterly consolidated financial statements.

(Additional Information)

(Transaction to grant the Company’s shares to employees, etc. through a trust)

Based on the resolution at the Board of Directors meeting held on August 7, 2019, the Company introduced “Trust-Type Employee Stock Ownership Plan” (“Plan”) with an aim to enhance the Company’s welfare program as well as to improve its medium- to long-term corporate value by providing employees with incentives for an increase in stock prices.

(1) Overview of the transaction

The Plan is an incentive plan for all employees in the “Tokyo Ohka Employees Stockholding Association” (“Stockholding Association”). Under the Plan, the Company sets up the “Tokyo Ohka Employee Stockholding Association Trust” (“Stockholding Trust”) at a trust bank, and the Stockholding Trust purchases in advance the number of the Company’s shares expected to be purchased by the Stockholding Association over five years from the date the trust is set up and sells the shares to the Stockholding Association every month on a certain date. Any gains on sale of shares accumulated in the trust upon expiry of the Stockholding Trust will be distributed as residual assets to those satisfying the beneficiary eligibility requirements. As the Company provides guarantee for the loans payable made by the Stockholding Trust to purchase the Company’s shares, the Company is liable to pay the outstanding balance of the loans payable, equivalent to loss on sale of shares accumulated in the Stockholding Trust due to a decline in stock prices, upon expiry of the Stockholding Trust.

The Plan aims to improve our medium- to long-term corporate value by providing employees with incentives for an increase in stock prices and also to support employees’ asset building as a measures to enhance our welfare program by promoting purchase and holding of shares through enhancement of the Stockholding Association.

(2) The Company’s shares remaining in the Trust

The Company’s shares remaining in the Trust are recorded as Treasury shares in Net assets at the carrying amount at the Trust (excluding ancillary expenses). The carrying amount and number of treasury stock as of December 31, 2021 and March 31, 2022 were ¥862 million and 206 thousand shares and ¥837 million and 201 thousand shares, respectively.

(3) The carrying amount of the loans payable recorded under the gross method

FY12/21	¥611 million
First three months of FY12/22	¥611 million

(Segment Information)

I First three months of the fiscal year ended December 2021 (January 1, 2021 – March 31, 2021)

1. Information about net sales, income/loss for each reportable segment

(Millions of yen)

	Reportable segment			Reconciliations (Note) 1	Consolidated (Note) 2
	Material Business	Equipment Business	Total		
Net sales					
Net sales to customers	30,637	334	30,971	—	30,971
Inter-segment sales or transfers	—	8	8	(8)	—
Total	30,637	342	30,980	(8)	30,971
Segment income (loss)	6,151	(124)	6,026	(1,218)	4,808

(Note) 1. Segment income (loss) amounting to ¥(1,218) million includes common costs of ¥(1,218) million, which are not allocated to reportable segments.

2. Segment income (loss) has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

2. Information on impairment losses on non-current assets or goodwill by reportable segment

Not applicable.

II First three months of the fiscal year ending December 2022 (January 1, 2022 – March 31, 2022)

1. Information about net sales, income/loss and breakdown of revenue by reportable segment

(Millions of yen)

	Reportable segment			Reconciliations (Note) 1	Consolidated (Note) 2
	Material Business	Equipment Business	Total		
Net sales					
Electronic functional materials	21,093	—	21,093	—	21,093
High-purity chemicals	17,870	—	17,870	—	17,870
Process equipment	—	436	436	—	436
Other	199	—	199	—	199
Revenue from contracts with customers	39,162	436	39,599	—	39,599
Other revenue	—	—	—	—	—
Net sales to customers	39,162	436	39,599	—	39,599
Inter-segment sales or transfers	—	27	27	(27)	—
Total	39,162	463	39,626	(27)	39,599
Segment income (loss)	8,216	(1)	8,214	(1,270)	6,944

(Note) 1. Segment income (loss) amounting to ¥(1,270) million includes common costs of ¥(1,270) million, which are not allocated to reportable segments.

2. Segment income (loss) has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

2. Information on impairment losses on non-current assets or goodwill by reportable segment

Not applicable.

3. Changes, etc. in reportable segments

As described in Changes in Accounting policies, the Company applied the Accounting Standard for Revenue Recognition on January 1, 2022 and changed the accounting treatment of revenue recognition, and accordingly, the method to calculate profit or loss of business segment was also changed.

The impact of this change on net sales and segment income (loss) for the three months ended March 31, 2022 was insignificant.