

Consolidated Financial Report for the Six Months Ended September 30, 2021

TOYOBO Co., Ltd.

Listed on the First Section of the TSE

Stock Code: 3101 URL <https://ir.toyobo.co.jp/en/ir.html>

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(Figures are rounded to the nearest million yen)

1. Consolidated Business Performance

(1) Consolidated Operating Results

Six months ended September 30

Percentages indicate year-on-year increase/ (decrease)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2021	183,864	16.7	17,112	64.2	13,305	127.0	9,705	267.3
2020	157,507	(4.5)	10,420	(6.2)	5,862	(34.6)	2,642	(0.8)

(Note) Comprehensive Income: First half ended September 30, 2021: ¥13,600 million 214.1%

First half ended September 30, 2020: ¥4,329 million ---%

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2021	109.21	—
2020	29.75	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2021	503,687	198,639	38.9	2,202.71
March 31, 2021	491,188	188,635	37.8	2,090.47

(Reference) Total shareholders' equity: September 30, 2021: ¥195,815 million, March 31, 2021: ¥185,729 million

2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2021	—	0.00	—	40.00	40.00
FY 3/2022	—	0.00			
FY 3/2022 (Forecast)			—	40.00	40.00

(Note) Revision of dividends forecast for this period: None

3. Forecasts for Fiscal Year Ending March 31, 2022

Percentages indicate year-on-year increase/ (decrease)

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	365,000	8.2	29,000	8.8	24,000	15.9

	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
Fiscal year	13,000	209.4	146.32

(Note) Revision of earnings forecast for this period: None

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): Yes

1) New company : None

2) Excluded company : 1

(TOYOBO FILM SOLUTIONS LIMITED)

2. Adoption of simplified and special accounting methods: None

3. Changes from accounting methods, procedures and the presentation of the consolidated financial statements:

1) Changes based on revision of accounting standards : Yes

2) Changes other than 1) above : None

3) Changes due to accounting estimation change : None

4) Error correction : None

4. Number of shares issued and outstanding (common stock)

1) Number of shares outstanding (including treasury stock):

September 30, 2021: 89,048,792 shares March 31, 2021: 89,048,792 shares

2) Number of treasury stock

September 30, 2021: 151,664 shares March 31, 2021: 203,350 shares

3) Average number of shares outstanding for each period (cumulative term):

Six months ended September 30, 2021: 88,860,021 shares

2020: 88,822,279 shares

※ Quarterly Financial Results reports are exempt from Quarterly review.

※ Explanation regarding the appropriate use of forecasts of business results

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual results may differ from the results anticipated in the statements.

(How to obtain supplementary document on earnings)

The supplementary document on earnings is disclosed on the same day as the Quarterly Financial Results report, and it is made available on the Company's website.

1. Qualitative Information and Financial Statements

(1) Qualitative Information on Consolidated Results

As for the business environment surrounding the Toyobo Group (hereinafter the “Group”) in the six months ended September 30, 2021, the economic recovery remained moderate despite the continuation of monetary easing policies and the spread of vaccinations, primarily in developed countries, supporting the recovery of economic activities amid the resurgence of COVID-19. Recently, uncertainties concerning economic outlook have been increasing due to factors such as the sudden rise of raw material and fuel prices, the production curtailment of automobiles due to the semiconductor shortage, the disparity of vaccination rates between developed countries and emerging countries, and concerns regarding procurement of some raw materials and components due to power shortages in China.

In this business environment, in “Films and Functional Materials,” sales grew due to operation of the new lines amid continuing strong market conditions for polarizer protective films for LCDs “COSMOSHINE SRF” and mold releasing film for MLCC “COSMOPEEL.” In “Mobility,” sales of engineering plastics and airbag fabrics performed strongly due to the recovery of automobile demand globally. In “Lifestyle and Environment,” demand for high-performance fibers recovered in various regions globally, but polyester staple fibers and spunbond were affected by rising raw material prices. In “Life Science,” sales of raw materials and reagents for PCR testing grew as the Group worked to meet the societal demand for PCR testing.

As a result, consolidated net sales in the six months ended September 30, 2021 increased ¥26.4 billion (16.7%) over the same period of the previous fiscal year, to ¥183.9 billion. Operating profit increased ¥6.7 billion (64.2%), to ¥17.1 billion, ordinary profit increased ¥7.4 billion (127.0%) to ¥13.3 billion, and profit attributable to owners of parent increased ¥7.1 billion (267.3%), to ¥9.7 billion.

Results by business segment were as follows:

Films and Functional Materials

In this segment, sales and operating profit increased due to the strong performance of the industrial films business and the functional materials business.

In the films business, despite the continuation of demand from people staying at home, the packaging film business faced challenges as a result of the decrease of sales because of the fire accident in the previous fiscal year as well as the impact of rising raw material prices.

In the industrial film business, against the backdrop of strong market conditions, sales of polarizer protective films for LCDs “COSMOSHINE SRF” and mold releasing film for MLCC “COSMOPEEL” achieved growth due to the operation of the new lines.

In the functional materials business, sales of industrial adhesives “VYLON” for electronics applications were strong. Furthermore, in the photo functional materials business, which handles water-wash photo-sensitive printing plates, sales of products for China and Europe trended strong.

As a result, sales in this segment increased ¥12.1 billion (16.5%) from the same period of the previous fiscal year to ¥85.9 billion, and operating profit increased ¥3.5 billion (40.4%) to ¥12.2 billion.

Mobility

In this segment, sales increased and operating loss decreased as a result of sales of engineering plastics and airbag fabrics performing strongly due to the recovery of automobile demand globally.

Sales of engineering plastics were strong in Japan and overseas in spite of rising raw material prices, unstable supply of semiconductors, etc.

The airbag fabrics business faced challenges as a result of the decreasing spread between raw material prices and sales prices due to rising raw material prices despite the recovery of sales.

As a result, sales in this segment increased ¥6.5 billion (43.5%) from the same period of the previous fiscal year to ¥21.6 billion, with an operating loss of ¥0.9 billion. (Compared with operating loss of ¥1.3 billion for the same period of the previous fiscal year.)

Lifestyle and Environment

In this segment, polyester staple fibers and spunbond etc. were affected by the high cost of raw materials, but sales and operating profit increased as a result of increased demand for high-performance fibers due to the recovery from the decline caused by the spread of COVID-19.

In the environmental solutions business, volatile organic compound (VOC) emissions treatment equipment for recovering solvents faced challenges due to a decrease in orders as a result of the stagnation of operating activities in the previous fiscal year because of the spread of COVID-19.

In the nonwoven fabrics business, sales of spunbond were affected by rising raw material prices despite performing strongly for building materials and automotive applications. Sales of functional filters decreased for masks, but were strong for air purifiers and automobile-related products.

In the functional fiber materials business, with regard to high-performance fibers, sales of “IZANAS” were strong for use in fishing line and ropes, and sales of “Tsunoooga” used in cut resistant gloves grew due to the recovery of plant operations throughout the world. Sales of polyester staple fibers were affected by rising raw material prices, and store sales of functional cushion material “BREATHAIR” were sluggish.

In the textile business, sales for sports and uniforms did not recover due to the continuing decline in market conditions despite market conditions recovering for traditional Arabic fabric and underwear.

As a result, sales in this segment increased ¥4.5 billion (9.0%) from the same period of the previous fiscal year to ¥54.7 billion, and operating profit increased ¥0.1 billion (5.7%) to ¥1.9 billion.

Life Science

In this segment, sales and operating profit increased due to the growth in demand for PCR-related products as the spread of COVID-19 has not yet ended.

In the biotechnology business, sales of raw materials and reagents for PCR testing, and genetic testing equipment and diagnostic reagents grew.

The contract manufacturing business of pharmaceuticals was sluggish due to the impact of the reduction of operation in response to suggestions from the FDA.

In the medical materials business, sales of artificial kidney hollow fiber trended strong.

As a result, sales in this segment increased ¥4.0 billion (32.3%) from the same period of the previous fiscal year to ¥16.3 billion, and operating profit increased ¥3.0 billion (188.8%) to ¥4.6 billion.

Real Estate and Other Business

This segment includes infrastructure-related businesses such as real estate, engineering, information processing services, and logistics services. Results in these businesses were generally in line with plans.

As a result, sales in this segment decreased ¥0.8 billion (13.3%) from the same period of the previous fiscal year to ¥5.3 billion, and operating profit increased ¥0.0 billion (4.0%) to ¥1.1 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets increased ¥12.5 billion (2.5%) from the end of the previous fiscal year, to ¥503.7 billion. This was mainly due to an increase in inventories, an increase in property, plant and equipment due to capital investment, and an increase in investments and other assets due to the mark-to-market valuation of investment securities, despite a decrease in cash and deposits.

Total liabilities increased ¥2.5 billion (0.8%) to ¥305.0 billion. This was mainly due to an increase in notes and accounts payable - trade.

Net assets increased ¥10.0 billion (5.3%) from the end of the previous fiscal year, to ¥198.6 billion due to an increase in retained earnings and an increase in valuation difference on available-for-sale securities.

Cash Flows

Net cash provided by operating activities amounted to ¥11.8 billion in the subject first half period. This was due mainly to a cash decrease from an increase in inventories of ¥10.5 billion, and a cash increase from profit before income taxes of ¥11.5 billion and depreciation of ¥10.0 billion.

Net cash used in investing activities amounted to ¥14.5 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥13.8 billion.

Net cash used in financing activities amounted to ¥5.7 billion. This was due mainly to proceeds from long-term borrowings of ¥7.9 billion, repayments of long-term borrowings of ¥6.0 billion and redemption of bonds of ¥5.0 billion.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2021) stood at ¥26.1 billion, a decrease of ¥8.4 billion from the end of the previous fiscal year (March 31, 2021).

(3) Qualitative Information on Consolidated Forecasts

The performance of the Group in the six months ended September 30, 2021 was generally as forecast. Regarding the consolidated earnings forecast for fiscal year ending March 31, 2022, no changes have been made in the outlook announced on August 5, 2021.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2021)	Current First Half (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	34,695	26,280
Notes and accounts receivable - trade	85,182	81,341
Contract assets	—	112
Electronically recorded monetary claims - operating	8,709	9,420
Merchandise and finished goods	45,785	50,106
Work in process	11,480	13,995
Raw materials and supplies	19,045	22,726
Other	8,203	12,819
Allowance for doubtful accounts	(136)	(210)
Total current assets	<u>212,963</u>	<u>216,589</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	54,227	55,156
Machinery, equipment and vehicles, net	56,053	54,947
Land	93,169	93,157
Other, net	21,191	24,971
Total property, plant and equipment	<u>224,640</u>	<u>228,231</u>
Intangible assets	4,674	4,562
Investments and other assets		
Other	49,760	55,182
Allowance for doubtful accounts	(849)	(877)
Total investments and other assets	<u>48,911</u>	<u>54,305</u>
Total non-current assets	<u>278,225</u>	<u>287,098</u>
Total assets	<u>491,188</u>	<u>503,687</u>

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2021)	Current First Half (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,879	42,713
Electronically recorded obligations - operating	4,881	5,800
Short-term borrowings	40,767	42,808
Current portion of bonds payable	10,000	5,000
Current portion of long-term borrowings	10,107	22,825
Provisions	4,743	4,962
Other	20,067	20,329
Total current liabilities	131,444	144,437
Non-current liabilities		
Bonds payable	45,000	45,000
Long-term borrowings	77,046	65,966
Provision for retirement benefits for directors (and other officers)	241	208
Provision for environmental measures	31	23
Retirement benefit liability	18,288	18,095
Other	30,503	31,319
Total non-current liabilities	171,109	160,611
Total liabilities	302,553	305,048
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,202	32,193
Retained earnings	64,351	70,406
Treasury shares	(294)	(220)
Total shareholders' equity	147,989	154,109
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,038	10,679
Deferred gains or losses on hedges	11	11
Revaluation reserve for land	42,708	42,697
Foreign currency translation adjustment	(11,052)	(10,682)
Remeasurements of defined benefit plans	(965)	(999)
Total accumulated other comprehensive income	37,740	41,706
Non-controlling interests	2,906	2,824
Total net assets	188,635	198,639
Total liabilities and net assets	491,188	503,687

**(2) Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income**

(Millions of yen)

(Consolidated Statements of Income)	Previous First Half (From April 1, 2020 To September 30, 2020)	Current First Half (From April 1, 2021 To September 30, 2021)
Net sales	157,507	183,864
Cost of sales	116,189	134,417
Gross profit	41,318	49,447
Selling, general and administrative expenses	30,898	32,335
Operating profit	10,420	17,112
Non-operating income		
Dividend income	317	309
Other	602	557
Total non-operating income	919	866
Non-operating expenses		
Interest expenses	683	632
Loss on suspension of production	1,289	617
Other	3,505	3,424
Total non-operating expenses	5,476	4,673
Ordinary profit	5,862	13,305
Extraordinary income		
Gain on sale of non-current assets	95	—
Total extraordinary income	95	—
Extraordinary losses		
Loss on disposal of non-current assets	1,715	1,577
Other	291	261
Total extraordinary losses	2,006	1,838
Profit before income taxes	3,952	11,467
Income taxes	1,599	1,824
Profit	2,353	9,643
Loss attributable to non-controlling interests	(289)	(61)
Profit attributable to owners of parent	2,642	9,705

(Millions of yen)

(Consolidated Statements of Comprehensive Income)	Previous First Half (From April 1, 2020 To September 30, 2020)	Current First Half (From April 1, 2021 To September 30, 2021)
Profit	2,353	9,643
Other comprehensive income		
Valuation difference on available-for-sale securities	1,879	3,643
Deferred gains or losses on hedges	(6)	0
Foreign currency translation adjustment	(146)	173
Remeasurements of defined benefit plans, net of tax	396	(34)
Share of other comprehensive income of entities accounted for using equity method	(146)	174
Total other comprehensive income	<u>1,976</u>	<u>3,956</u>
Comprehensive income	<u>4,329</u>	<u>13,600</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,647	13,681
Comprehensive income attributable to non-controlling interests	(318)	(82)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous First Half (From April 1, 2020 To September 30, 2020)	Current First Half (From April 1, 2021 To September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	3,952	11,467
Depreciation	9,128	10,009
Interest expenses	683	632
Decrease (increase) in trade receivables	11,562	3,053
Decrease (increase) in inventories	49	(10,480)
Increase (decrease) in trade payables	(10,021)	2,691
Other, net	2,178	(3,956)
Subtotal	17,530	13,416
Income taxes refund (paid)	(4,136)	(1,615)
Net cash provided by (used in) operating activities	13,394	11,801
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(15,545)	(13,808)
Other, net	(2,410)	(707)
Net cash provided by (used in) investing activities	(17,955)	(14,515)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	8,749	2,052
Proceeds from long-term borrowings	11,900	7,867
Repayments of long-term borrowings	(6,624)	(6,027)
Redemption of bonds	—	(5,000)
Interest paid	(667)	(643)
Dividends paid	(3,546)	(3,549)
Other, net	(471)	(448)
Net cash provided by (used in) financing activities	9,341	(5,747)
Effect of exchange rate change on cash and cash equivalents	(10)	36
Net increase (decrease) in cash and cash equivalents	4,770	(8,426)
Cash and cash equivalents at beginning of period	25,084	34,526
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	18	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	5
Cash and cash equivalents at end of period	29,873	26,105

**(4) Note to Consolidated Financial Statement
(Note to Going Concern)**

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Additional Information)

1. Application of Accounting Standard for Revenue Recognition and Relevant Revised ASBJ Regulations

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. In accounting of buy-sell transactions where the Company bears an obligation to repurchase supplied materials, the transaction is treated as a financial transaction and supplied materials remaining at the supplyee are continued to be recognized as inventories while the amount of ending inventories corresponding to the supplied materials remaining at the supplyee is recognized as financial liabilities.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year ending March 31, 2022 was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year ending March 31, 2022, and thus the new accounting policy was applied from such opening balance. The impact of the application of the accounting standard on consolidated financial statements is immaterial.

2. Application of Accounting Standard for Fair Value Measurement and Relevant ASBJ Regulations

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, and in accordance with the transitional treatment prescribed in 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 new accounting policies set forth in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations have been applied prospectively. There is no impact on the consolidated financial statements for the first half ended September 30, 2021.

3. Effects of COVID-19

There are no significant changes to the presumption related to the impact of COVID-19 stated in Additional Information of the securities report for the fiscal year ended March 31, 2021.

(Segment Information)

(i) Previous first half (from April 1, 2020 to September 30, 2020)

(Millions of yen)

	Segment to Be Reported						Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated Statements of Income (Note 3)
	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Total				
Net sales										
(1) Outside customers	73,779	15,022	50,190	12,358	1,920	153,268	4,239	157,507	—	157,507
(2) Inter-segment sales and transfers	59	13	154	10	224	460	6,706	7,166	(7,166)	—
Total	73,838	15,035	50,344	12,368	2,144	153,728	10,945	164,673	(7,166)	157,507
Segment profit (loss)	8,715	(1,291)	1,771	1,598	737	11,530	298	11,827	(1,407)	10,420

Note:1. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.

2. Segment profit or loss adjustment of (¥1,407) million includes eliminations of intersegment transactions of ¥80 million and companywide expenses that are not allocated across reporting segments of (¥1,488) million.

The principal components of companywide expenses are those related to basic research and development.

3. Segment profit or loss has been adjusted with operating profit on the consolidated financial statements.

(ii) Current first half (from April 1, 2021 to September 30, 2021)

(Millions of yen)

	Segment to Be Reported						Other Businesses (Note 4)	Total	Adjustment (Note 5)	Consolidated Statements of Income (Note 6)
	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Total				
Net sales										
(1) Outside customers	85,917	21,556	54,706	16,347	1,926	180,452	3,412	183,864	—	183,864
(2) Inter-segment sales and transfers	68	15	192	16	204	495	7,367	7,862	(7,862)	—
Total	85,985	21,571	54,898	16,363	2,130	180,948	10,779	191,726	(7,862)	183,864
Segment profit (loss)	12,238	(867)	1,872	4,616	748	18,607	328	18,935	(1,823)	17,112

Note:4. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.

5. Segment profit or loss adjustment of (¥1,823) million includes eliminations of intersegment transactions of (¥63) million and companywide expenses that are not allocated across reporting segments of (¥1,760) million.

The principal components of companywide expenses are those related to basic research and development.

6. Segment profit or loss has been adjusted with operating profit on the consolidated financial statements.