

Consolidated Financial Report for the Nine Months Ended December 31, 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

Nine months ended December 31

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	274,541	12.6	22,893	25.1	18,198	46.0	12,125	—
2020	243,878	(1.7)	18,305	14.6	12,460	(7.3)	25	(99.6)

(Note) Comprehensive Income: Third quarter ended December 31, 2021: ¥17,326 million —%

Third quarter ended December 31, 2020: ¥832 million (80.2)%

	Net profit per Share	Net profit per share after dilution
	Yen	Yen
2021	136.44	—
2020	0.28	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2021	510,525	202,366	39.1	2,243.85
March 31, 2021	491,188	188,635	37.8	2,090.47

(Reference) Total shareholders' equity: December 31, 2021: ¥199,471 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	370,000	9.7	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: Yes

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):

December 31, 2021: 89,048,792 shares March 31, 2021: 89,048,792 shares

2) Number of treasury stock:

December 31, 2021: 152,091 shares March 31, 2021: 203,350 shares

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

Nine months ended December 31, 2021: 88,871,077 shares

2020: 88,830,532 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 nine months ended December 31, 2021, the recovery of the economy remains slow due to supply restrictions as a result of labor shortages, the stagnation of logistics, etc. and the rise of raw material and fuel prices amid the temporary calming of COVID-19 and the normalization of economic activity. Recently, uncertainties concerning the economic outlook have been increasing due to factors such as raw material and fuel prices remaining high, the recovery of automobile production being slow due to the continuation of the semiconductor shortage, supply restrictions being prolonged, and the sudden spread of new COVID-19 variant Omicron.

In this business environment, in “Films and Functional Materials,” although sales grew due to operation of the new lines against the backdrop of strong market conditions for polarizer protective films for LCDs “COSMOSHINE SRF,” packaging films were affected by the rise of raw material prices. In “Mobility,” sales of engineering plastics and airbag fabrics recovered from the same period of the previous fiscal year despite the impact of the rise of raw material prices and the production curtailment of automobiles due to the semiconductor shortage and other factors. In “Lifestyle and Environment,” the strength of sales of high-performance fibers returned due to the recovery of demand associated with the recovery of economic activity, 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 were strong as demand for PCR testing remained firm despite COVID-19 temporarily calming down.

As a result, consolidated net sales in the nine months ended December 31, 2021 increased ¥30.7 billion (12.6%) over the same period of the previous fiscal year, to ¥274.5 billion. Operating profit increased ¥4.6 billion (25.1%), to ¥22.9 billion, ordinary profit increased ¥5.7 billion (46.0%) to ¥18.2 billion, and profit attributable to owners of parent was ¥12.1 billion. (Compared with profit attributable to owners of parent of ¥0.0 billion for the same period of the previous fiscal year.)

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” 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, for the photo functional materials for water-wash photosensitive printing plates, sales of products in China, North America and Europe grew.

As a result, sales in this segment increased ¥14.3 billion (12.6%) from the same period of the

previous fiscal year to ¥127.3 billion, and operating profit increased ¥2.2 billion (15.6%) to ¥16.6 billion.

Mobility

In this segment, sales increased and operating loss decreased as a result of sales recovering from the same period of the previous fiscal year despite the impact of the rise of raw material prices and the production curtailment of automobiles due to the semiconductor shortage and other factors.

Sales of engineering plastics recovered from the same period of the previous fiscal year in Japan and overseas despite the impact of the rise of raw material prices and the production curtailment of automobiles due to the semiconductor shortage and other factors.

Although sales of airbag fabrics recovered from the same period of the previous fiscal year, they faced challenges due to the impact of the rise of raw material prices and the production curtailment of automobiles.

As a result, sales in this segment increased ¥6.6 billion (26.0%) from the same period of the previous fiscal year to ¥32.2 billion, with an operating loss of ¥1.4 billion. (Compared with operating loss of ¥1.7 billion for the same period of the previous fiscal year.)

Lifestyle and Environment

In this segment, although the strength of sales of high-performance fibers returned due to the recovery of demand associated with the recovery of economic activity, sales increased but operating profit decreased as a result of polyester staple fibers and spunbond being affected by rising raw material prices.

In the environmental solutions business, although the LIBS (Lithium-Ion Battery Separator) market was on a recovery trend, 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.

In the nonwoven fabrics business, sales of spunbond were affected by rising raw material prices despite performing strongly for building material applications. Sales of functional filters for masks decreased.

In the functional fiber materials business, with regard to high-performance fibers, “IZANAS” was strong for use in fishing line and ropes, and sales of “ZYLON” grew due to the recovery of demand for use in bicycle tires and firefighter uniforms. 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, although export costs for traditional Arabic fabric improved due to the depreciation of the yen, and market conditions recovered for underwear, sales for sports and uniforms were unable to recover due to the continuing decline in market conditions.

As a result, sales in this segment increased ¥5.1 billion (6.6%) from the same period of the previous fiscal year to ¥82.4 billion, and operating profit decreased ¥0.3 billion (11.5%) to ¥2.7 billion.

Life Science

In this segment, sales and operating profit increased as a result of sales of raw materials and reagents for PCR testing being strong as demand for PCR testing remained firm despite COVID-19 temporarily calming down.

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 and virus removing filters trended strong.

As a result, sales in this segment increased ¥5.3 billion (27.8%) from the same period of the previous fiscal year to ¥24.6 billion, and operating profit increased ¥3.2 billion (102.2%) to ¥6.4 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 ¥0.7 billion (8.2%) from the same period of the previous fiscal year to ¥8.1 billion, and operating profit decreased ¥0.0 billion (2.7%) to ¥1.6 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets increased ¥19.3 billion (3.9%) from the end of the previous fiscal year, to ¥510.5 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 ¥5.6 billion (1.9%) to ¥308.2 billion. This was mainly due to an increase in borrowings.

Net assets increased ¥13.7 billion (7.3%) from the end of the previous fiscal year, to ¥202.4 billion due to an increase in retained earnings and an increase in valuation difference on available-for-sale securities.

(3) Qualitative Information on Consolidated Forecasts

With regard to the consolidated earnings forecast for the fiscal year ending March 31, 2022, sales are expected to be ¥370.0 billion, which exceeds the previously announced figures (announced on August 5, 2021) by ¥5.0 billion, due to the revision of sales prices for some products because of rising raw material prices in addition to the current situation.

Although sales are expected to increase, profit remains unchanged from previously announced figures in light of the impact of rising raw material prices.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2021)	Current Third Quarter (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	34,695	20,931
Notes and accounts receivable - trade	85,182	80,591
Contract assets	—	298
Electronically recorded monetary claims - operating	8,709	10,377
Merchandise and finished goods	45,785	55,450
Work in process	11,480	15,550
Raw materials and supplies	19,045	23,990
Other	8,203	12,424
Allowance for doubtful accounts	(136)	(256)
Total current assets	<u>212,963</u>	<u>219,356</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	54,227	55,725
Machinery, equipment and vehicles, net	56,053	54,504
Land	93,169	93,177
Other, net	21,191	28,488
Total property, plant and equipment	<u>224,640</u>	<u>231,894</u>
Intangible assets	4,674	4,408
Investments and other assets		
Other	49,760	55,777
Allowance for doubtful accounts	(849)	(910)
Total investments and other assets	<u>48,911</u>	<u>54,867</u>
Total non-current assets	<u>278,225</u>	<u>291,169</u>
Total assets	<u>491,188</u>	<u>510,525</u>

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2021)	Current Third Quarter (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,879	41,971
Electronically recorded obligations - operating	4,881	6,412
Short-term borrowings	40,767	43,139
Current portion of bonds payable	10,000	—
Current portion of long-term borrowings	10,107	22,501
Provisions	4,743	2,307
Other	20,067	22,659
Total current liabilities	131,444	138,990
Non-current liabilities		
Bonds payable	45,000	55,000
Long-term borrowings	77,046	64,636
Provision for retirement benefits for directors (and other officers)	241	210
Provision for environmental measures	31	19
Retirement benefit liability	18,288	18,046
Other	30,503	31,258
Total non-current liabilities	171,109	169,169
Total liabilities	302,553	308,159
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,202	32,193
Retained earnings	64,351	72,827
Treasury shares	(294)	(220)
Total shareholders' equity	147,989	156,530
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,038	11,180
Deferred gains or losses on hedges	11	17
Revaluation reserve for land	42,708	42,697
Foreign currency translation adjustment	(11,052)	(9,930)
Remeasurements of defined benefit plans	(965)	(1,023)
Total accumulated other comprehensive income	37,740	42,941
Non-controlling interests	2,906	2,895
Total net assets	188,635	202,366
Total liabilities and net assets	491,188	510,525

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

(Millions of yen)

(Consolidated Statements of Income)	Previous Third Quarter (From April 1, 2020 To December 31, 2020)	Current Third Quarter (From April 1, 2021 To December 31, 2021)
Net sales	243,878	274,541
Cost of sales	178,795	202,540
Gross profit	65,083	72,000
Selling, general and administrative expenses	46,778	49,107
Operating profit	18,305	22,893
Non-operating income		
Dividend income	484	463
Other	918	790
Total non-operating income	1,402	1,253
Non-operating expenses		
Interest expenses	1,005	922
Loss on suspension of production	1,567	782
Other	4,674	4,244
Total non-operating expenses	7,247	5,948
Ordinary profit	12,460	18,198
Extraordinary income		
Gain on sale of investment securities	—	232
Gain on extinguishment of tie-in shares	387	—
Other	73	—
Total extraordinary income	460	232
Extraordinary losses		
Loss on disposal of non-current assets	2,207	2,473
Loss on sale of investment securities	—	848
Impairment losses	7,817	—
Loss due to fire	1,749	—
Other	1,377	77
Total extraordinary losses	13,150	3,399
Profit (loss) before income taxes	(230)	15,031
Income taxes	1,539	2,957
Profit (loss)	(1,769)	12,074
Loss attributable to non-controlling interests	(1,795)	(51)
Profit attributable to owners of parent	25	12,125

(Millions of yen)

(Consolidated Statements of Comprehensive Income)	Previous Third Quarter (From April 1, 2020 To December 31, 2020)	Current Third Quarter (From April 1, 2021 To December 31, 2021)
Profit (loss)	(1,769)	12,074
Other comprehensive income		
Valuation difference on available-for-sale securities	2,048	4,144
Deferred gains or losses on hedges	(11)	6
Foreign currency translation adjustment	112	984
Remeasurements of defined benefit plans, net of tax	582	(57)
Share of other comprehensive income of entities accounted for using equity method	(130)	176
Total other comprehensive income	<u>2,601</u>	<u>5,252</u>
Comprehensive income	<u>832</u>	<u>17,326</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,656	17,338
Comprehensive income attributable to non-controlling interests	(1,825)	(11)

**(3) 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 third quarter ended December 31, 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) Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 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	113,020	25,518	77,273	19,237	3,000	238,047	5,831	243,878	—	243,878
(2) Inter-segment sales and transfers	91	21	252	32	337	732	9,226	9,958	(9,958)	—
Total	113,111	25,539	77,524	19,269	3,337	238,780	15,057	253,837	(9,958)	243,878
Segment profit (loss)	14,337	(1,658)	3,009	3,163	1,221	20,072	419	20,491	(2,187)	18,305

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 (¥2,187) million includes eliminations of intersegment transactions of ¥140 million and companywide expenses that are not allocated across reporting segments of (¥2,326) 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.

4. Information regarding impairment loss on non-current assets or goodwill by segment to be reported
(Significant impairment loss on non-current assets)

Impairment loss on non-current assets was recorded in the Lifestyle and Environmental Solutions segment.

Impairment loss amounted to ¥7,817 million in the nine months ended December 31, 2020.

(ii) Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(Millions of yen)

	Segment to Be Reported						Other Businesses (Note 5)	Total	Adjustment (Note 6)	Consolidated Statements of Income (Note 7)
	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Total				
Net sales										
(1) Outside customers	127,293	32,151	82,405	24,585	2,941	269,376	5,165	274,541	—	274,541
(2) Inter-segment sales and transfers	114	15	300	24	306	759	10,862	11,621	(11,621)	—
Total	127,407	32,167	82,705	24,609	3,247	270,135	16,027	286,161	(11,621)	274,541
Segment profit (loss)	16,574	(1,445)	2,663	6,397	1,105	25,294	491	25,785	(2,892)	22,893

Note:5. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.

6. Segment profit or loss adjustment of (¥2,892) million includes eliminations of intersegment transactions of (¥199) million and companywide expenses that are not allocated across reporting segments of (¥2,693) million.

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

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