

Consolidated Financial Report for Year Ended March 31, 2023**TOYOBO Co., Ltd.**URL <https://ir.toyobo.co.jp/en/ir.html>

Stock Code: 3101 (Prime Market, Tokyo Stock Exchange)

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Date of the General Meeting of the Shareholders: June 28, 2023

Planned start of dividend payments: June 29, 2023

Planned filing of an annual security report: June 28, 2023

(Figures are rounded to the nearest million yen.)

1. Consolidated Business Performance**(1) Consolidated Operating Results**

Years ended March 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	%
2023	399,921	6.4	10,063	(64.6)	6,590	(71.5)	(655)	—
2022	375,720	11.4	28,430	6.6	23,092	11.5	12,865	206.2

(Note) Comprehensive Income: Year ended March 31, 2023: ¥(1,232) million —%
Year ended March 31, 2022: ¥12,112 million 27.9%

	Net profit per share	Net profit per share after dilution	Return on equity	Ordinary profit-to-total assets ratio	Operating profit-to-net sales ratio
	Yen	Yen	%	%	%
2023	(7.37)	—	(0.3)	1.2	2.5
2022	144.75	—	6.8	4.6	7.6

(Reference) Gain (loss) on investment by equity method: Year ended March 31, 2023: ¥342 million
Year ended March 31, 2022: ¥161 million

(2) Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2023	588,906	221,422	32.2	2,146.46
2022	517,774	197,149	37.6	2,192.17

(Reference) Total shareholders' equity: March 31, 2023: ¥189,588 million, March 31, 2022: ¥194,876 million

(3) Consolidated Cash Flows

Years ended March 31

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2023	7,798	(36,011)	61,295	60,204
2022	17,097	(24,608)	(1,729)	26,433

2. Dividends

Years ended/ending March 31

Record date	Dividends per share					Total amount of dividends (for the entire fiscal year) Millions of yen	Payout ratio %	Dividends to net assets ratio %
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
2022	—	0.00	—	40.00	40.00	3,556	27.6	1.9
2023	—	0.00	—	40.00	40.00	3,533	—	1.8
2024 (Forecast)	—	0.00	—	40.00	40.00		88.9	

3. Forecasts for Fiscal Year Ending March 31, 2024

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

Fiscal year	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
	430,000	7.5	15,000	49.1	11,000	66.9

Fiscal year	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
	4,000	—	45.00

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None

1) New company : None

2) Excluded company : None

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

1) Changes based on revision of accounting standards : None

2) Changes other than 1) above : None

3) Changes due to accounting estimation change : None

4) Error correction : None

3. Number of shares issued and outstanding (common stock):

1) Number of shares outstanding at fiscal year-end (including treasury stock):

2023: 89,048,792 shares 2022: 89,048,792 shares

2) Number of treasury stock at fiscal year-end:

2023: 723,040 shares 2022: 152,550 shares

3) Average number of shares outstanding:

2023: 88,885,920 shares 2022: 88,876,906 shares

(Reference)

1. Non-Consolidated Business Performance

(1) Non-Consolidated Operating Results

Year ended March 31

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

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2023	253,604	4.9	4,521	(77.6)	1,940	(87.9)	(2,019)	—
2022	241,749	22.6	20,183	9.5	16,021	12.4	6,174	—

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2023	(22.72)	—
2022	69.47	—

(2) Non-Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2023	489,838	150,073	30.6	1,699.08
2022	447,112	156,273	35.0	1,757.92

(Reference) Total shareholders' equity: March 31, 2023: ¥150,073 million, March 31, 2022: ¥156,273 million

※ Financial Results Reports are exempt from review by certified public accountants or accounting auditor

※ 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 Financial Results Report, and it is made available on the Company's website.

1. Operating Results

(1) Analysis of Operating Results

As for the business environment surrounding the Toyobo Group (hereinafter “the Group”) in the fiscal year ended March 31, 2023 (hereinafter “the fiscal year”), the global economy slowed down due to monetary tightening policies in Europe and the United States and China’s zero-COVID policy (lockdowns) in addition to rising raw material and fuel prices stemming from the impact of the situation in Ukraine, among others. In Japan, although the normalization of the economy was seen in the second half of the fiscal year, the recovery of the economy remained slow partly due to the rising raw material and fuel prices and delays in the recovery of automobile production resulting from shortages in the supply of materials such as semiconductors, in the full year.

Under this business environment, sales of volatile organic compound (VOC; organic solvent) recovery equipment used in the manufacturing process for lithium-ion battery separators proceeded robustly as a result of the global shift to EV. In addition, sales of enzymes for diagnostic reagents and genetic testing to the overseas market grew. On the other hand, though the Group proceeded with product price revisions in the films business, the nonwoven materials business and other businesses, they were not enough to cover the impact of the rising raw material and fuel prices, and these businesses faced challenges for profitability. Furthermore, in the films business, sales decreased, affected by a temporary downturn in demand for mold releasing film for multilayer ceramic capacitors (MLCC), among others.

On the financial front, the Group recorded ¥5.6 billion insurance claim income related to the fire accident that occurred at the Inuyama Plant and ¥2.9 billion of gain on sale of securities due to partial sale of investment securities in extraordinary income. On the other hand, ¥9.8 billion of impairment losses were recorded as extraordinary losses on assets to be suspended and business assets for the nonwoven materials business, the engineering plastics business and others.

As a result, net sales in the fiscal year increased 6.4% from the previous fiscal year to ¥399.9 billion, operating profit decreased 64.6% from the previous fiscal year to ¥10.1 billion, ordinary profit decreased 71.5% from the previous fiscal year to ¥6.6 billion, loss attributable to owners of ¥0.7 billion. (Compared with profit of attributable to owners of ¥12.9 billion for the previous fiscal year.)

Results by business segment were as follows:

Films and Functional Materials

In this segment, efforts were made to implement product price revisions, although sales and operating profit decreased due to the significant impacts from rising raw material and fuel prices and a decline in demand.

In the films business, the packaging film business had difficulties in realizing product price revisions to compensate for rising raw material and fuel prices, and furthermore, cargo movements slowed in the second half of the fiscal year. The industrial film business was affected by a decrease in demand for mold releasing film for MLCC and other products in addition to the rising raw material and fuel prices.

In the functional materials business, sales of industrial adhesives “Vylon” declined due to the

impact of China's zero-COVID policy.

As a result, sales in this segment decreased ¥0.3 billion (0.2%) from the previous fiscal year to ¥170.0 billion, and operating profit decreased ¥15.3 billion (76.7%) to ¥4.6 billion.

Mobility

In this segment, efforts were made to implement product price revisions, and sales increased, although the operating loss increased due to the significant impact of rising raw material and fuel prices.

As for sales of engineering plastics in Japan, product price revisions were unable to keep up with rising raw material and fuel prices. Overseas, although the Group proceeded with product price revisions, there was impact of the rise in raw material prices and logistics costs and an increase in processing costs overseas.

With regard to airbag fabrics, despite product price revisions being advanced, profitability was not improved due to rising procurement prices for airbag yarn and other raw materials.

As a result, sales in this segment increased ¥4.6 billion (10.3%) from the previous fiscal year to ¥49.3 billion, with an operating loss of ¥4.5 billion. (Compared with operating loss of ¥1.8 billion for the previous fiscal year.)

Lifestyle and Environment

In this segment, although sales of VOC recovery equipment and high performance fibers were strong, sales increased while operating profit decreased due to the large impact of the rising raw material and fuel prices on the nonwoven materials business.

In the environmental solutions business, sales of replacement elements as well as VOC recovery equipment used in the manufacturing process for lithium-ion battery separators were strong due to the increase in demand for lithium-ion batteries as a result of the global shift to EV.

In the nonwoven materials business, the business faced challenges as product price revisions were unable to keep up with the rising raw material and fuel prices.

In the high performance fibers business, sales remained strong, centered on "ZYLON" for applications in building structural reinforcement and bicycle tires and "IZANAS" for use in fishing line.

In the textile business, overseas procurement costs increased due to the depreciation of the yen, but export margins for traditional Arabic fabric improved.

As a result, sales in this segment increased ¥15.6 billion (13.6%) from the previous fiscal year to ¥129.9 billion, and operating profit decreased ¥0.5 billion (13.2%) to ¥3.0 billion.

Life Science

In this segment, although artificial kidney hollow fibers were affected by rising raw materials and fuel prices, sales and operating profit increased due to enzymes for the overseas market performed strongly.

In the biotechnology business, sales of reagents for PCR testing decreased due to a significant

drop in the number of people infected by COVID-19 in the fourth quarter. On the other hand, sales of enzymes for diagnostic reagents and genetic testing to the overseas market were robust.

In the contract manufacturing business of pharmaceuticals, despite rising expenses in response to suggestions from the FDA, sales recovered due to production and shipment of over-the-counter formulations resumed in sequence.

In the medical materials business, sales of artificial kidney hollow fiber trended strong, but were affected by rising raw material and fuel prices.

As a result, sales in this segment increased ¥3.1 billion (8.9%) from the previous fiscal year to ¥38.1 billion, and operating profit increased ¥0.6 billion (6.4%) to ¥9.2 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 increased ¥1.2 billion (10.5%) from the previous fiscal year to ¥12.6 billion, and operating profit decreased ¥0.0 billion (1.4%) to ¥2.2 billion.

(2) Analysis of Financial Position

Total assets increased ¥71.1 billion (13.7%) from the end of the previous fiscal year, to ¥588.9 billion. This was mainly due to an increase in cash and deposits and inventories.

Total liabilities increased ¥46.9 billion (14.6%) to ¥367.5 billion. This was mainly due to an increase in bonds payable and borrowings.

Net assets increased ¥24.3 billion (12.3%) from the end of the previous fiscal year, to ¥221.4 billion mainly due to an increase in non-controlling interests because of a deposit for subscriptions of share concerning the issuance of a third-party allotment of TOYOBO MC Corporation's shares to Mitsubishi Corporation.

(3) Cash Flows

Net cash provided by operating activities amounted to ¥7.8 billion at the end of the subject fiscal year. This was due mainly to a cash increase from depreciation of ¥19.0 billion and a cash decrease from an increase in working capital of ¥17.7 billion.

Net cash used in investing activities amounted to ¥36.0 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥39.2 billion and proceeds from sales of investment securities of ¥3.7 billion.

Net cash provided by financing activities amounted to ¥61.3 billion. This was due mainly to net increase in short-term borrowings of ¥30.6 billion, proceeds from share issuance to non-controlling shareholders of ¥30.0 billion, proceeds from long-term borrowings of ¥23.1 billion, proceeds from issuance of bonds of ¥20.0 billion and repayments of long-term borrowings of ¥37.0 billion.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2023) stood at ¥60.2 billion, an increase of ¥33.8 billion from the end of the previous fiscal

year (March 31, 2022).

(Reference) Cash Flow Indicators

Years ended March 31

	2019	2020	2021	2022	2023
Equity ratio (%)	38.3	36.4	37.8	37.6	32.2
Equity ratio, based on market value (%)	27.2	20.8	25.8	18.8	15.6
Return on equity (%)	(0.3)	7.8	2.3	6.8	(0.3)
Interest-bearing debt to cash flow ratio (Years)	21.0	4.0	5.3	11.2	29.4
Interest coverage ratio (Times)	6.0	32.2	28.0	14.0	5.9
D/E ratio (Times)	0.93	0.98	1.01	0.98	1.21

Notes:

Equity ratio: shareholders' equity / total assets

Equity ratio, based on market value: total market capitalization / total assets

Return on equity: profit attributable to owners of parent / an average of the balances at the beginning and end of period for the total net assets excluding non-controlling interests

Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flows

Interest coverage ratio: operating cash flows / interest expense

D/E ratio: interest-bearing debt / net assets excluding non-controlling interests

(4) Forecast for Fiscal 2024 (Ending March 31, 2024)

Regarding the business environment for the fiscal year ending March 31, 2024, while the economy is expected to recover in China following the resumption of economic activities due to the lifting of lockdowns, there are concerns that the economy will slow down as a result of monetary tightening policies in response to increasing inflationary pressure in Europe and the United States. In Japan, a moderate economic recovery is expected mainly in domestic demand, following the end of the COVID-19 pandemic.

Although sales of reagents for PCR testing will decrease due to a fall in the demand, the Group's profitability is forecasted to improve because raw material and fuel prices have become stable again with a recovery of the market for industrial film. In addition, the Group will focus on a further improvement in the earnings power by re-examining sales prices, reducing costs, reviewing capital investment and selling, general and administrative expenses, and implementing measures for unprofitable businesses.

Under this environment, for the fiscal year ending March 31, 2024, the Group is forecasting net sales of ¥430.0 billion (an increase of ¥30.1 billion year on year), operating profit of ¥15.0 (an increase of ¥4.9 billion), ordinary profit of ¥11.0 billion (an increase of ¥4.4 billion), and profit attributable to owners of parent of ¥4.0 billion. (Compared with loss of attributable to owners of ¥0.7 billion for the previous fiscal year.)

(5) Basic Policy Regarding Earnings Distribution, and Dividends for Fiscal 2023 and 2024

Toyobo (hereinafter “the Company”) considers providing returns to shareholders to be one of its highest priorities. Our basic policy is to continually provide a stable dividend, in a comprehensive consideration of such factors as sustainable profits levels, retention of earnings for future investment, and improving the financial position to provide shareholders returns, including the acquisition of treasury shares, with a target total return ratio (*1) of 30%.

Regarding dividends for the next fiscal year, the basic policy of continuous stable dividends has not changed. Currently, dividends of ¥40 per share are being forecast, but the Group will review this going forward based on the policy above.

(*1)Total return ratio = (total dividend + total amount of share buybacks) ÷ profit attributable to owners of parent

2. Basic Approach to Selection of Accounting Standards

After considering the possibility of comparisons among financial results for consolidated accounting periods and the possibility of comparisons with other companies, the Group has decided to continue to adopt generally accepted accounting principles in Japan for the time being. Please note that, regarding the adoption of International Financial Reporting Standards (IFRS), the policy of the Group is to take appropriate action after the consideration of related issues in Japan and overseas.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	2022 (As of March 31, 2022)	2023 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	27,176	60,703
Notes receivable - trade	7,437	5,873
Accounts receivable - trade	83,644	82,553
Contract assets	421	407
Electronically recorded monetary claims - operating	10,747	12,295
Merchandise and finished goods	57,362	75,343
Work in process	14,483	16,556
Raw materials and supplies	24,204	30,002
Other	14,150	15,672
Allowance for doubtful accounts	(311)	(271)
Total current assets	239,314	299,133
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,960	54,515
Machinery, equipment and vehicles, net	51,786	46,907
Land	91,586	90,816
Construction in progress	21,721	39,829
Other, net	8,522	8,166
Total property, plant and equipment	227,574	240,234
Intangible assets		
Other	4,307	4,633
Total intangible assets	4,307	4,633
Investments and other assets		
Investment securities	19,064	13,951
Retirement benefit asset	562	702
Deferred tax assets	18,449	21,527
Other	9,476	9,857
Allowance for doubtful accounts	(972)	(1,131)
Total investments and other assets	46,579	44,906
Total non-current assets	278,460	289,773
Total assets	517,774	588,906

(Millions of yen)

	2022 (As of March 31, 2022)	2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	46,876	53,436
Electronically recorded obligations - operating	6,326	5,156
Short-term borrowings	40,592	71,595
Current portion of bonds payable	—	10,000
Current portion of long-term borrowings	21,418	29,472
Provision for bonuses	4,778	4,776
Other	26,759	28,064
Total current liabilities	146,750	202,500
Non-current liabilities		
Bonds payable	55,000	65,000
Long-term borrowings	70,681	49,099
Deferred tax liabilities for land revaluation	19,641	19,641
Provision for retirement benefits for directors (and other officers)	236	239
Provision for environmental measures	12	12
Retirement benefit liability	19,841	22,427
Other	8,465	8,566
Total non-current liabilities	173,876	164,984
Total liabilities	320,626	367,484
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,193	32,402
Retained earnings	74,700	70,490
Treasury shares	(221)	(781)
Total shareholders' equity	158,402	153,840
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,882	3,434
Deferred gains or losses on hedges	7	67
Revaluation reserve for land	41,562	41,435
Foreign currency translation adjustment	(7,656)	(4,556)
Remeasurements of defined benefit plans	(2,321)	(4,632)
Total accumulated other comprehensive income	36,474	35,748
Non-controlling interests	2,273	31,834
Total net assets	197,149	221,422
Total liabilities and net assets	517,774	588,906

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

(Millions of yen)

(Consolidated Statements of Income)	2022 (From April 1, 2021 To March 31, 2022)	2023 (From April 1, 2022 To March 31, 2023)
Net sales	375,720	399,921
Cost of sales	279,594	314,915
Gross profit	96,126	85,006
Selling, general and administrative expenses	67,696	74,943
Operating profit	28,430	10,063
Non-operating income		
Dividend income	531	323
Share of profit of entities accounted for using equity method	161	342
Foreign exchange gains	673	443
Insurance claim income	123	250
Other	918	1,088
Total non-operating income	2,406	2,446
Non-operating expenses		
Interest expenses	1,211	1,328
Loss on suspension of production	953	—
Salaries paid to dispatched employees	746	699
Other	4,833	3,891
Total non-operating expenses	7,743	5,919
Ordinary profit	23,092	6,590
Extraordinary income		
Gain on sale of non-current assets	—	1,200
Gain on sale of investment securities	6,529	2,946
Insurance claim income	—	5,607
Total extraordinary income	6,529	9,753
Extraordinary losses		
Impairment losses	9,362	9,794
Loss on disposal of non-current assets	4,232	3,851
Other	1,232	2,086
Total extraordinary losses	14,825	15,731
Profit before income taxes	14,796	612
Income taxes – current	5,627	3,202
Income taxes - deferred	(2,892)	(1,783)
Total income taxes	2,735	1,419
Profit (loss)	12,061	(807)
Loss attributable to non-controlling interests	(804)	(152)
Profit (loss) attributable to owners of parent	12,865	(655)

(Millions of yen)

(Consolidated Statements of Comprehensive Income)	2022 (From April 1, 2021 To March 31, 2022)	2023 (From April 1, 2022 To March 31, 2023)
Profit (loss)	12,061	(807)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,151)	(1,428)
Deferred gains or losses on hedges	(4)	60
Foreign currency translation adjustment	3,320	2,815
Remeasurements of defined benefit plans, net of tax	(1,356)	(2,311)
Share of other comprehensive income of entities accounted for using equity method	243	439
Total other comprehensive income	51	(425)
Comprehensive income	12,112	(1,232)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,745	(1,254)
Comprehensive income attributable to non-controlling interests	(633)	21

(3) Consolidated Statements of Changes in Net Assets

2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	51,730	32,202	64,351	(294)	147,989
Cumulative effects of changes in accounting policies			(108)		(108)
Restated balance	51,730	32,202	64,243	(294)	147,881
Changes during period					
Dividends of surplus			(3,554)		(3,554)
Profit (loss) attributable to owners of parent			12,865		12,865
Reversal of revaluation reserve for land			1,146		1,146
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		(9)		76	68
Net changes in items other than shareholders' equity					
Total changes during period	-	(9)	10,457	74	10,522
Balance at end of period	51,730	32,193	74,700	(221)	158,402

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	7,038	11	42,708	(11,052)	(965)	37,740	2,906	188,635
Cumulative effects of changes in accounting policies								(108)
Restated balance	7,038	11	42,708	(11,052)	(965)	37,740	2,906	188,527
Changes during period								
Dividends of surplus								(3,554)
Profit (loss) attributable to owners of parent								12,865
Reversal of revaluation reserve for land								1,146
Purchase of treasury shares								(2)
Disposal of treasury shares								68
Net changes in items other than shareholders' equity	(2,156)	(4)	(1,146)	3,396	(1,356)	(1,266)	(633)	(1,900)
Total changes during period	(2,156)	(4)	(1,146)	3,396	(1,356)	(1,266)	(633)	8,622
Balance at end of period	4,882	7	41,562	(7,656)	(2,321)	36,474	2,273	197,149

2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	51,730	32,193	74,700	(221)	158,402
Cumulative effects of changes in accounting policies					—
Restated balance	51,730	32,193	74,700	(221)	158,402
Changes during period					
Dividends of surplus			(3,556)		(3,556)
Profit (loss) attributable to owners of parent			(655)		(655)
Purchase of treasury shares				(684)	(684)
Disposal of treasury shares		(37)		124	87
Purchase of shares of consolidated subsidiaries		246			246
Net changes in items other than shareholders' equity					
Total changes during period	—	209	(4,211)	(560)	(4,562)
Balance at end of period	51,730	32,402	70,490	(781)	153,840

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,882	7	41,562	(7,656)	(2,321)	36,474	2,273	197,149
Cumulative effects of changes in accounting policies								—
Restated balance	4,882	7	41,562	(7,656)	(2,321)	36,474	2,273	197,149
Changes during period								
Dividends of surplus								(3,556)
Profit (loss) attributable to owners of parent								(655)
Purchase of treasury shares								(684)
Disposal of treasury shares								87
Purchase of shares of consolidated subsidiaries								246
Net changes in items other than shareholders' equity	(1,447)	60	(127)	3,099	(2,311)	(726)	29,561	28,835
Total changes during period	(1,447)	60	(127)	3,099	(2,311)	(726)	29,561	24,273
Balance at end of period	3,434	67	41,435	(4,556)	(4,632)	35,748	31,834	221,422

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	2022 (From April 1, 2021 To March 31, 2022)	2023 (From April 1, 2022 To March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	14,796	612
Depreciation	20,080	19,050
Impairment losses	9,362	9,794
Increase (decrease) in allowance for doubtful accounts	265	98
Increase (decrease) in retirement benefit liability	(340)	461
Decrease (increase) in retirement benefit asset	(331)	(1,456)
Interest and dividend income	(605)	(448)
Interest expenses	1,211	1,328
Share of loss (profit) of entities accounted for using equity method	(161)	(342)
Loss (gain) on sales and disposal of property, plant and equipment, net	4,268	2,651
Loss (gain) on sale and valuation of investment securities	(5,472)	(2,067)
Loss (gain) on sale of shares of subsidiaries and associates	—	289
Insurance claim income	—	(5,607)
Decrease (increase) in trade receivables	(6,866)	2,322
Decrease (increase) in inventories	(18,212)	(24,551)
Increase (decrease) in trade payables	6,295	4,557
Other, net	(3,530)	1,001
Subtotal	20,760	7,693
Income taxes refund (paid)	(3,663)	(5,502)
Proceeds from insurance income	—	5,607
Net cash provided by (used in) operating activities	17,097	7,798
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(29,112)	(39,158)
Proceeds from sale of property, plant and equipment and intangible assets	39	2,345
Proceeds from sale of shares of subsidiaries and associates	—	2,194
Proceeds from sale of investment securities	11,485	3,652
Long-term loan advances	(53)	(88)
Proceeds from collection of long-term loans receivable	13	38
Interest and dividends received	668	507
Other, net	(7,649)	(5,501)
Net cash provided by (used in) investing activities	(24,608)	(36,011)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(611)	30,606
Proceeds from long-term borrowings	14,959	23,087
Repayments of long-term borrowings	(10,370)	(37,018)
Proceeds from issuance of bonds	10,000	20,000
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(3)	(682)
Interest paid	(1,225)	(1,324)
Dividends paid	(3,553)	(3,555)
Dividends paid to non-controlling interests	—	(14)
Proceeds from share issuance to non-controlling shareholders	—	30,000
Other, net	(926)	194
Net cash provided by (used in) financing activities	(1,729)	61,295
Effect of exchange rate change on cash and cash equivalents	1,143	688
Net increase (decrease) in cash and cash equivalents	(8,097)	33,771
Cash and cash equivalents at beginning of period	34,526	26,433
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	5	—
Cash and cash equivalents at end of period	26,433	60,204

(5) Notes to Consolidated Financial Statements

(Note to Going Concern)

Not applicable

(Segment Information)

1. Reportable Segment Operating Results

The Company's reportable segments allow it to acquire financial data separated into the various components of the corporate group. The scope of the segments is reviewed on a regular basis in order to allow the highest decision-making body to determine the allocation of management resources and evaluate earnings performance.

The Company's basic organization comprises solution headquarters and business divisions within the head office, separated by the type, nature and market region for products and services. Each solution headquarters and business division formulates comprehensive strategies for its domestic and overseas operations and conducts business activities.

Accordingly, the Company comprises segments by market region. Its five reportable segments are "Films and Functional Materials," "Mobility," "Lifestyle and Environment," "Life Science" and "Real Estate."

The "Films and Functional Materials" segment manufactures and sells packaging films, industrial films, industrial adhesives, photo functional materials and other products. The "Mobility" segment manufactures and sells engineering plastics, airbag fabrics and other products. The "Lifestyle and Environment" segment manufactures and sells water treatment membranes, functional filters, high performance fibers, nonwoven fabrics, functional textiles, apparel products, apparel textiles, apparel fibers and other products. The "Life Science" segment manufactures and sells bio-products such as enzymes for diagnostics, pharmaceuticals, medical membranes, medical devices and other products. The "Real Estate" segment mainly leases and manages real estate properties.

2. Calculation Method for the Amounts of Net Sales, Profit or Loss, Assets and Other Items by Reportable Segment

The accounting method used for the reported business segments is based on the accounting policies applied to prepare the consolidated financial statements.

Profit of reportable segments is based on operating profit.

Intersegment sales and transfers are based on actual market pricing.

3. Net sales, profit of loss, assets and other items by reportable segment

(i) Fiscal Year ended March 31,2022

(Millions of yen)

	Segment to Be Reported						Other Business- ses (Note 1)	Total	Adjust- ment (Note 2)	Consolidated Statements of Income (Note 3)
	Films and Functional Materials	Mobility	Lifestyle and Environ- ment	Life Science	Real Estate	Total				
Net sales										
(1) Outside customers	170,326	44,721	114,295	35,003	3,957	368,301	7,419	375,720	—	375,720
(2) Inter-segment sales and transfers	152	22	377	43	419	1,012	16,145	17,157	(17,157)	—
Total	170,477	44,743	114,672	35,046	4,376	369,314	23,564	392,878	(17,157)	375,720
Segment profit (loss)	19,897	(1,753)	3,453	8,655	1,408	31,661	810	32,471	(4,041)	28,430
Assets	181,121	58,860	134,685	30,118	47,206	451,991	17,234	469,225	48,550	517,774
Others										
Depreciation and amortization	9,826	1,357	3,779	2,397	750	18,109	404	18,514	1,566	20,080
Capital expenditure	17,888	1,132	7,274	3,752	494	30,539	209	30,749	2,891	33,640

Note:

1. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.
2. (1) Segment profit or loss adjustment of ¥(4,041) million includes eliminations of intersegment transactions of ¥(376) million and companywide expenses that are not allocated across reporting segments of ¥(3,665) million. The principal components of companywide expenses are those related to basic research and development.
(2) The adjustment of segment assets of ¥48,550 million includes corporate assets of ¥86,912 million that are not allocated to the reportable segments.
(3) The adjustment of capital expenditure of ¥2,891 million represents that amount of capital investment related to research and development.
3. Segment profit or loss has been adjusted with operating income on the consolidated financial statements.

(ii) Fiscal Year ended March 31,2023

(Millions of yen)

	Segment to Be Reported						Other Business- ses (Note 4)	Total	Adjust- ment (Note 5)	Consolidated Statements of Income (Note 6)
	Films and Functional Materials	Mobility	Lifestyle and Environ- ment	Life Science	Real Estate	Total				
Net sales										
(1) Outside customers	170,028	49,320	129,872	38,134	4,053	391,407	8,514	399,921	—	399,921
(2) Inter-segment sales and transfers	127	20	324	41	429	940	15,652	16,592	(16,592)	—
Total	170,155	49,340	130,195	38,175	4,481	392,347	24,166	416,514	(16,592)	399,921
Segment profit (loss)	4,641	(4,485)	2,999	9,212	1,439	13,806	748	14,554	(4,490)	10,063
Assets	204,702	61,429	148,527	41,332	45,468	501,459	16,699	518,158	70,748	588,906
Others										
Depreciation and amortization	8,582	1,829	4,126	2,211	514	17,262	416	17,679	1,371	19,050
Capital expenditure	20,202	1,217	7,774	7,551	488	37,232	666	37,898	4,836	42,734

Note:

4. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.
5. (1) Segment profit or loss adjustment of ¥(4,490) million includes eliminations of intersegment transactions of ¥(270) million and companywide expenses that are not allocated across reporting segments of ¥(4,220) million. The principal components of companywide expenses are those related to basic research and development.
 (2) The adjustment of segment assets of ¥70,748 million includes corporate assets of ¥84,551 million that are not allocated to the reportable segments.
 (3) The adjustment of capital expenditure of ¥4,836 million represents that amount of capital investment related to research and development.
6. Segment profit or loss has been adjusted with operating income on the consolidated financial statements.

(Significant subsequent events)

(Company split involving the spin-off of the functional materials business to Toyobo MC Corporation)

The Company decided at a meeting of the Board of Directors held on January 25, 2023 that Toyobo MC Corporation (“the New Company” hereafter), a wholly owned subsidiary established on September 5, 2022, would succeed the Company’s business involving functional materials through an absorption-type company split (hereinafter “the Company Split”) and entered into an absorption-type company split agreement on the same date. The Company Split was implemented effective April 1, 2023.

1. Background and Aim

The Company signed an agreement with Mitsubishi Corporation (headquartered in Chiyoda-ku, Tokyo, and headed by Representative Director, President & CEO Katsuya Nakanishi hereinafter “MC”) to set up the New Company, which was intended to carry out the Company Split and an investment (hereinafter “the Investment”) provided from MC to the New Company with the aim of sharpening the competitive edge of the Company’s functional materials and continuing to provide solutions globally. The Company and MC continued to consider how to implement the Company Split and the Investment. The Company Split was implemented as part of the procedure in the runup to the contract shareholders’ agreement between the Company and MC and the start of the joint venture.

2. Summary of the Company Split

(1) Schedule of the Company Split

Date of decision at the board of directors meeting	January 25, 2023
Date of sealing the agreement on the absorption-type company split	January 25, 2023
Effective date of the Company Split	April 1, 2023

(Note) The Company Split was carried out without the approval at a general shareholders’ meeting, because it falls under a simple absorption-type company split prescribed by Paragraph 2, Article 784 of the Companies Act.

(2) Method of the Company Split

The Company is the split company and the New Company is the succeeding company in the absorption-type company split (simple absorption-type company split).

(3) Allocations of shares due to the Company Split

At the time of the Company Split, the New Company newly issued 31,000 common shares and allocated them to the Company as compensation for the Company Split.

(4) Handling of the stock acquisition right and bond with stock acquisition right due to the Company Split

Not applicable.

(5) Capital stock subject to change due to the Company Split

No change in the capital stock for the split company (the Company).

(6) Rights and obligations that the succeeding company succeeds

The New Company has succeeded what the absorption-type company split contract stipulates regarding the assets, liabilities, and rights and obligations such as contractual status, which are related to the functional materials business described in 4. below.

(7) Projected execution of debt obligations

We deem there is no projected problem for the succeeding company to execute debt obligations it must shoulder after the Company Split went into effect.

3. Outline of those involved in the Company Split (As of March 31, 2023)

	Split company	Succeeding company (The New Company)
1) Company name	Toyobo Co., Ltd.	Toyobo MC Corporation
2) Address	1-13-1, Umeda, Kita-ku, Osaka	Osaka Umeda Twin Towers South, 1-13-1, Umeda, Kita-ku, Osaka
3) Title and name of representative (Note)	President and Representative Director, Ikuo Takeuchi	Director, Chikao Morishige (The Company's Representative Director, Co-COO and CTO)
4) Business description	Business related to films and functional materials; mobility; lifestyle and environment; life science	Planning, development, manufacturing and sales of products related to functional materials
5) Capital stock	51,730 million yen	100 million yen
6) Date of establishment	June 26, 1914	September 5, 2022
7) End of each accounting term	March 31	March 31
8) Business performance and fiscal conditions of the latest business year		
Net assets	221,422 million yen (consolidated)	30,134 million yen (non-consolidated)
Total assets	588,906 million yen (consolidated)	33,823 million yen (non-consolidated)
Net assets per share	2,146.46 yen (consolidated)	6,699.97 yen (non-consolidated)

(Note): After the Company Split, the representatives of the New Company are two persons in total: President & Representative Director Chikao Morishige (Representative Director, Co-COO and CTO of the Company), and Executive Vice-president & Representative Director, COO Juro Baba (Senior Vice President of Mitsubishi Corporation).

4. Business operations of the division that was spun off and succeeded by the New Company

Business related to planning, development, manufacturing and sales of functional materials in Japan and overseas (business related to polymerization development, Vylon and Hardlen, photo functional materials, fine chemicals, engineering plastics, water treatment membranes, environment solution devices, activated carbon products, activated carbon fibers, spun-bonded fabrics, lifestyle materials, high-performance fibers), and businesses related to these businesses.

5. Other important items

After the Company Split, the Company holds 51% of the shares in the New Company while MC holds 49% through a third-party allocation of shares for the Investment.

1) Date of payment	April 1, 2023
2) Number of new shares to be issued	49,000 common shares
3) Issue price	The amount obtained by dividing by 49,000 shares the amount JPY 30,000,000,000 per share
4) Amount of proceeds to be raised	JPY 30,000,000,000
5) Offering and allotment method	Through third-party allotment MC 49,000 shares

6. Outline of the accounting method

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company Split was accounted for as a transaction under common control.

7. Items regarding changes in the Company's equity related to transactions with non-controlling interests

(1) Major factors for changes in capital surplus

Changes in equity through the third-party allocation of shares for the New Company in

association with the Investment

- (2) Amount of capital surplus increased through transactions with non-controlling interests
The amount has not been determined at this point.

(Merger with Toyobo Information System Create Co., Ltd.)

The Company had resolved to implement an absorption-type merger (hereinafter “the Merger”) with its consolidated subsidiary, Toyobo Information System Create Co., Ltd. (hereinafter “TISC”), at the meeting of the Board of Directors held on December 26, 2022, and entered into a merger agreement on the same date. The absorption-type merger was conducted effective April 1, 2023. Pursuant to Article 796, paragraph 2 (as for the Company) and Article 784, paragraph 1 (as for TISC) of the Companies Act, the Merger was conducted without the general meeting of shareholders of each company on their respective approval for the merger agreement.

The outline of the Merger is as follows.

1. Outline of the transaction

- (1) Name and content of business of the company involved in the Merger

Name of the company involved in the Merger: Toyobo Information System Create Co., Ltd.

Content of business: System consulting; system development, operation, and maintenance; ERP solutions (GRANDIT, Oracle E-Business Suite, etc.); and network solutions

- (2) Date of the business combination

April 1, 2023

- (3) Legal form of the business combination

The Merger was conducted as an absorption-type merger, with the Company as the surviving company and TISC as the disappearing company, and TISC was dissolved upon the Merger.

- (4) Name of the company after the business combination

TOYOBO CO., LTD.

- (5) Other items related to the outline of the transaction

- (i) Purpose of the Merger

The importance of digital technologies has been increasing every year and they have become essential in our business activities. Under these circumstances, the Company decided to conduct an absorption-type merger with TISC, aiming to consolidate the IT resources of the Group, build a system that can quickly respond to changes in the business environment associated with the advancement and increasing use of digital technologies, and contribute to reforms and growth in the Company’s business.

- (ii) Allotment regarding the Merger

There was no issuance of new shares or allotment of any other consideration with respect to the Merger.

- (iii) Financial position and operating results of the Company involved in the Merger for immediately preceding fiscal year (Fiscal year ended March 31, 2023)

Assets ¥2,568 million

Liabilities ¥1,969 million

Net assets ¥599 million

Net sales ¥4,864 million

Loss ¥11 million

2. Outline of the accounting method

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the Merger was accounted for as a transaction under common control.

(Issuance of unsecured straight bonds in the Japanese market)

At the meeting of the Board of Directors held on April 25, 2023, a comprehensive resolution regarding the issuance of unsecured straight bonds in the Japanese market was passed. The details of this resolution are as follows:

(1) Issue amount: ¥20,000 million or less.

However, multiple issues within the scope of this amount are not ruled out.

(2) Issue price: ¥100 for each bond with par value of ¥100.

(3) Interest rate: Market yield of Japanese government bonds with the same maturities plus 1.0% or less

(4) Payment dates: From April 26, 2023 to March 31, 2024.

However, if the bonds are offered during this period, payments after this period will be accepted.

(5) Term of redemption: 5 years or more, to 10 years.

(6) Method of redemption: Full amount on maturity.

However, a retirement by purchase clause may be included.

(7) Uses of funds: For redemption of bonds, repayment of borrowings, purchases of plant and equipment (includes acquisition of stock through mergers and acquisitions), working capital and capital investments.

(8) Special provisions: These bonds will include a negative pledge clause.

(9) Other: Decisions regarding matters covered in Article 676 of the Companies Act and all other items related to the issuance of bonds will be made within the scope stated above at the discretion of the director in charge of the Finance Division.