

Consolidated Financial Report for the Three Months Ended June 30, 2023**TOYOBO Co., Ltd.**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**

Three months ended June 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	%
2023	97,058	(3.9)	(85)	—	(317)	—	(508)	—
2022	101,048	6.8	4,621	(50.0)	4,331	(42.0)	7,797	26.4

(Note) Comprehensive Income: Three months ended June 30, 2023: ¥2,344 million (78.7%)
Three months ended June 30, 2022: ¥11,021 million 28.4%

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2023	(5.77)	—
2022	87.71	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2023	569,465	219,915	33.1	2,144.03
March 31, 2023	588,906	221,422	32.2	2,146.46

(Reference) Total shareholders' equity: June 30, 2023: ¥188,698 million, March 31, 2023: ¥189,588 million

2. Dividends

Years ended/ending March 31

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2023	—	0.00	—	40.00	40.00
2024	—				
2024 (Forecast)		0.00	—	40.00	40.00

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

3. Forecasts for Fiscal Year Ending March 31, 2024

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

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

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

(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): None

1) New company : None

2) Excluded company : None

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 : None

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):

June 30, 2023: 89,048,792 shares March 31, 2023: 89,048,792 shares

2) Number of treasury stock:

June 30, 2023: 1,037,894 shares March 31, 2023: 723,040 shares

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

Three months ended June 30, 2023: 88,089,714 shares

2022: 88,896,148 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

The business environment surrounding the Toyobo Group (hereinafter “the Group”) in the three months ended June 30, 2023 saw a moderate recovery in economic activity in the United States, supported by robust consumption. In China, the lifting of the zero-COVID policy has led to an economic recovery, but this current trend is slowing. On the other hand, in Japan, economic activity has begun to normalize after the COVID-19 pandemic, and the economy has recovered moderately. Although there has been a pickup in automobile production due to the resolution of the semiconductor shortage, there are concerns about downside effects from overseas economies, such as reduced demand due to monetary tightening policies in the United States and Europe and the slowdown of the Chinese economy.

Under this business environment, sales of polarizer protective films for LCDs “COSMOSHINE SRF” increased significantly as demand recovered. On the other hand, sales of reagents for PCR testing dropped sharply due to winding down of COVID-19 infections, and sales of packaging film and mold releasing film for multilayer ceramic capacitors (MLCC) were sluggish due to a slow recovery in demand.

As a result, net sales in the three months ended June 30, 2023 decreased ¥4.0 billion (3.9%) from the same period of the previous fiscal year to ¥97.1 billion, operating loss was ¥0.1 billion (compared with operating profit of ¥4.6 billion for the same period of the previous fiscal year), ordinary loss was ¥0.3 billion (compared with ordinary profit of ¥4.3 billion for the same period of the previous fiscal year), loss attributable to owners of parent was ¥0.5 billion (compared with profit of attributable to owners parent of ¥7.8 billion for the previous fiscal year).

Results by business segment were as follows:

The Group changed its reporting segment classification from the three months ended June 30, 2023. Accordingly, in the following segment information, the figures for the three months ended June 30, 2022, have been restated in accordance with the classification existing after the aforesaid change for the purpose of comparing them with those of the three months ended June 30, 2023.

Films

In this segment, sales and operating profit decreased due to a weak recovery in demand, in addition to the continued impact of high raw material and fuel prices.

In the packaging film business, product prices were revised in response to soaring raw material and fuel prices, while freight movements were sluggish due to prolonged adjustments of distributors' inventories.

In the industrial film business, sales of polarizer protective films for LCDs “COSMOSHINE SRF” increased significantly. However, sales of mold releasing film for MLCC struggled due to continued inventory adjustments throughout the supply chain. Product prices were revised in response to soaring raw material and fuel prices, but which has not led to improved profitability.

As a result, sales in this segment decreased ¥0.2 billion (0.4%) from the same period of the previous fiscal year to ¥39.0 billion, and operating profit decreased ¥1.2 billion (49.7%) to ¥1.2 billion.

Life Science

In this segment, sales and operating profit decreased due to a significant drop in sales of reagents for COVID-19 PCR testing.

In the biotechnology business, sales of enzymes for diagnostic reagents remained steady. However, sales of reagents for PCR testing declined significantly due to the reclassification of COVID-19 to a Class 5 Infectious Diseases.

In the contract manufacturing business of pharmaceuticals, expenses in response to suggestions from the FDA continued to be incurred, but the Warning Letter was lifted by the FDA in July 2023.

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

As a result, sales in this segment decreased ¥0.5 billion (6.3%) from the same period of the previous fiscal year to ¥8.1 billion, and operating profit decreased ¥0.8 billion (36.6%) to ¥1.4 billion.

Environmental and Functional Materials

In this segment, sales decreased and an operating loss was recorded, compared with an operating profit in the previous fiscal year, due to the impact of lower demand for electronic materials and civil engineering and building materials.

In the resins and chemicals business, engineering plastics saw product price revisions in Japan in response to soaring raw material and fuel prices. Sales of industrial adhesives “Vylon” declined in China and other Asian markets. Sales of photo functional materials for water-wash photosensitive printing plates were weak in North America and China.

In the environment and fiber business, environmental solutions sales declined due to a lag in shipments affecting sales of VOC recovery equipment used in the manufacturing process for lithium-ion battery separators. In the high performance fibers business, sales of “Tsunoooga” used in cut resistant gloves and “ZYLON” for applications in building structural reinforcement decreased. Nonwoven materials were sluggish in response to declining demand in civil engineering and building materials.

As a result, sales in this segment decreased ¥2.9 billion (10.5%) from the same period of the previous fiscal year to ¥25.0 billion, with an operating loss of ¥0.7 billion (compared with operating profit of ¥0.9 billion for the same period of the previous fiscal year).

Functional Textiles and Trading

In this segment, sales decreased and operating loss increased because the airbag fabric business failed to improve profitability.

In the textile business, earnings improved as a result of the withdrawal of unprofitable products and progress in price pass-through.

In the airbag fabric business, sales volume increased with the recovery of automobile production volume, but product sales price revisions have not kept pace with rising raw material prices, and the business struggled.

As a result, sales in this segment decreased ¥0.0 billion (0.1%) from the same period of the previous fiscal year to ¥22.2 billion, and operating loss of ¥0.7 billion (compared with operating loss of ¥0.4 billion for the same period of the previous fiscal year).

Real Estate and Other Businesses

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 ¥0.3 billion (9.7%) from the same period of the previous fiscal year to ¥2.8 billion, and operating profit increased ¥0.1 billion (15.4%) to ¥0.4 billion.

(2) Analysis of Financial Position

Total assets decreased ¥19.4 billion (3.3%) from the end of the previous fiscal year, to ¥569.5 billion. This was mainly due to a decrease in cash and deposits, notes and accounts receivable - trade.

Total liabilities decreased ¥17.9 billion (4.9%) from the end of the previous fiscal year, to ¥349.5 billion. This was mainly due to a decrease in notes and accounts payable - trade and borrowings.

Net assets decreased ¥1.5 billion (0.7%) from the end of the previous fiscal year, to ¥219.9 billion mainly due to a decrease in retained earnings and other items.

(3) Forecast for Fiscal 2023 (Ending March 31, 2024)

The performance of the Group in the three months ended June 30, 2023 was generally as forecast. Regarding the consolidated earnings forecast for fiscal year ending March 31, 2024, no changes have been made in the outlook announced on May 11, 2023.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2023)	Current First Quarter (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	60,703	30,652
Notes and accounts receivable - trade	88,427	85,963
Contract assets	407	465
Electronically recorded monetary claims - operating	12,295	13,880
Merchandise and finished goods	75,343	76,271
Work in process	16,556	18,575
Raw materials and supplies	30,002	30,312
Other	15,672	16,027
Allowance for doubtful accounts	(271)	(341)
Total current assets	<u>299,133</u>	<u>271,804</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	54,515	58,188
Machinery, equipment and vehicles, net	46,907	46,963
Land	90,816	90,889
Construction in progress	39,829	43,174
Other, net	8,166	8,395
Total property, plant and equipment	<u>240,234</u>	<u>247,609</u>
Intangible assets	4,633	4,304
Investments and other assets		
Other	46,037	47,032
Allowance for doubtful accounts	(1,131)	(1,284)
Total investments and other assets	<u>44,906</u>	<u>45,748</u>
Total non-current assets	<u>289,773</u>	<u>297,661</u>
Total assets	<u>588,906</u>	<u>569,465</u>

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2023)	Current First Quarter (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,436	46,081
Electronically recorded obligations - operating	5,156	5,992
Short-term borrowings	71,595	60,585
Current portion of bonds payable	10,000	25,000
Current portion of long-term borrowings	29,472	26,528
Provisions	4,956	2,815
Other	27,885	26,585
Total current liabilities	202,500	193,585
Non-current liabilities		
Bonds payable	65,000	50,000
Long-term borrowings	49,099	55,069
Deferred tax liabilities for land revaluation	19,641	19,641
Provision for retirement benefits for directors (and other officers)	239	251
Provision for environmental measures	12	11
Retirement benefit liability	22,427	22,274
Other	8,566	8,719
Total non-current liabilities	164,984	155,965
Total liabilities	367,484	349,550
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,402	33,191
Retained earnings	70,490	66,448
Treasury shares	(781)	(1,099)
Total shareholders' equity	153,840	150,271
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,434	3,592
Deferred gains or losses on hedges	67	176
Revaluation reserve for land	41,435	41,435
Foreign currency translation adjustment	(4,556)	(2,278)
Remeasurements of defined benefit plans	(4,632)	(4,498)
Total accumulated other comprehensive income	35,748	38,428
Non-controlling interests	31,834	31,217
Total net assets	221,422	219,915
Total liabilities and net assets	588,906	569,465

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

(Millions of yen)

(Consolidated Statements of Income)	Previous First Quarter (From April 1, 2022 To June 30, 2022)	Current First Quarter (From April 1, 2023 To June 30, 2023)
Net sales	101,048	97,058
Cost of sales	77,892	77,991
Gross profit	23,156	19,066
Selling, general and administrative expenses	18,536	19,151
Operating profit (loss)	4,621	(85)
Non-operating income		
Foreign exchange gains	844	1,102
Other	437	339
Total non-operating income	1,280	1,441
Non-operating expenses		
Interest expenses	327	302
Other	1,244	1,370
Total non-operating expenses	1,571	1,673
Ordinary profit (loss)	4,331	(317)
Extraordinary income		
Gain on sale of non-current assets	1,195	—
Insurance claim income	5,607	—
Total extraordinary income	6,802	—
Extraordinary losses		
Loss on disposal of non-current assets	257	314
Loss on change in equity	—	212
Total extraordinary losses	257	526
Profit (loss) before income taxes	10,875	(843)
Income taxes	3,065	271
Profit (loss)	7,810	(1,114)
Profit (loss) attributable to non-controlling interests	13	(606)
Profit (loss) attributable to owners of parent	7,797	(508)

(Millions of yen)

(Consolidated Statements of Comprehensive Income)	Previous First Quarter (From April 1, 2022 To June 30, 2022)	Current First Quarter (From April 1, 2023 To June 30, 2023)
Profit (loss)	7,810	(1,114)
Other comprehensive income		
Valuation difference on available-for-sale securities	11	243
Deferred gains or losses on hedges	22	109
Foreign currency translation adjustment	2,946	2,891
Remeasurements of defined benefit plans, net of tax	2	134
Share of other comprehensive income of entities accounted for using equity method	230	80
Total other comprehensive income	<u>3,211</u>	<u>3,458</u>
Comprehensive income	<u>11,021</u>	<u>2,344</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,811	2,627
Comprehensive income attributable to non-controlling interests	210	(283)

(3) Notes to Consolidated Financial Statements

(Note to Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Segment Information)

(i) Three months ended June 30,2022

(Millions of yen)

	Segment to Be Reported						Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated Statements of Income (Note 3)
	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Total				
Net sales										
(1) Outside customers	39,155	8,694	27,913	22,186	1,036	98,984	2,064	101,048	—	101,048
(2) Inter-segment sales and transfers	40	6	1,014	163	84	1,307	3,142	4,449	(4,449)	—
Total	39,195	8,700	28,927	22,349	1,120	100,291	5,206	105,497	(4,449)	101,048
Segment profit (loss)	2,469	2,135	933	(379)	389	5,547	(42)	5,505	(884)	4,621

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 ¥ (884) million includes eliminations of intersegment transactions of ¥43 million and companywide expenses that are not allocated across reporting segments of ¥ (927) 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 income on the consolidated financial statements.

(ii) Three months ended June 30, 2023

(Millions of yen)

	Segment to Be Reported						Other Business- ses (Note 4)	Total	Adjust- ment (Note 5)	Consolid- ated State- ments of Income (Note 6)
	Films	Life Science	Environ- mental and Function- al Materials	Function- al Textiles and Trading	Real Estate	Total				
Net sales										
(1) Outside customers	38,983	8,145	24,977	22,154	1,034	95,293	1,765	97,058	—	97,058
(2) Inter-segment sales and transfers	551	2	2,287	229	266	3,334	4,538	7,872	(7,872)	—
Total	39,534	8,147	27,264	22,383	1,299	98,627	6,303	104,930	(7,872)	97,058
Segment profit (loss)	1,241	1,353	(662)	(728)	437	1,640	(37)	1,603	(1,688)	(85)

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 ¥ (1,668) million includes eliminations of intersegment transactions of ¥ (632) million and companywide expenses that are not allocated across reporting segments of ¥ (1,056) 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 loss on the consolidated financial statements.

(iii) Matters concerning changes to reporting segments

From the first quarter of the fiscal year ending March 31, 2024, the Group changed its organization structure in order to position films, life science and the environment as business fields on which to particularly focus and carry out business operations in accordance with each positioning while evaluating and categorizing each business in accordance with their “profitability” and “growth potential.” Accordingly, the Group reviewed the reportable segment classification, and changed them from the previous “Films and Functional Materials,” “Mobility” and “Lifestyle and Environment” to “Films,” “Environmental and Functional Materials” and “Functional Textiles and Trading.”

Segment information for the three months ended June 30, 2022 was prepared in accordance with the classifications after the change.

(Significant Subsequent Events)

Not applicable