

Consolidated Financial Report for the First Quarter ended June 30, 2020

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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Quarterly report filing date (Planned): August 12, 2020

(Figures are rounded to the nearest million yen)

1. Consolidated Business Performance

(1) Consolidated Operating Results

First quarter 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	%
2020	75,450	(6.7)	4,359	(16.7)	2,764	(36.3)	1,764	5.6
2019	80,827	0.1	5,231	(2.2)	4,337	(9.5)	1,670	(45.6)

(Note) Comprehensive profit: First quarter ended June 30, 2020: ¥ 2,922 million --- %,

First quarter ended June 30, 2019: ¥ (1,610) million --- %

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2020	19.86	—
2019	18.82	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2020	492,920	182,033	36.0	1,997.85
March 31, 2020	488,874	182,636	36.4	2,003.01

(Reference) Total shareholders' equity: June 30, 2020: ¥177,431 million, March 31, 2020: ¥177,890 million

2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2020	—	0.00	—	40.00	40.00
FY 3/2021	—				
FY 3/2021 (Forecast)		0.00	—	40.00	40.00

(Note) Revision of dividends forecast for this period: Yes

3. Forecasts for Fiscal Year ending March 31, 2021

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

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	330,000	(2.8)	20,000	(12.3)	14,000	(22.4)

	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
Fiscal year	7,000	(49.2)	78.82

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

June 30, 2020: 89,048,792 shares	March 31, 2020: 89,048,792 shares
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 - 2) Number of treasury stock

June 30, 2020: 237,750 shares	March 31, 2020: 237,610 shares
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 - 3) Average number of shares outstanding for each period (cumulative term):

Three months ended June 30	2020: 88,811,123 shares	
	2019: 88,767,183 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 global economy in the three months ended June 30, 2020 was deeply impacted by the pandemic novel coronavirus disease (COVID-19). Under these circumstances, despite signs of recovery in some areas of China, mainly domestic demand, the outlook for the Japanese and global economies is uncertain as the end of the spread of infection is nowhere in sight.

In this business environment, in “Films and Functional Materials,” notwithstanding a difficult external environment, sales of polarizer protective films for LCDs “COSMOSHINE SRF” grew steadily. On the other hand, due to the spread of COVID-19, in “Mobility,” engineering plastics and airbag fabrics were struggling due to the impact of a decrease in production of automobiles globally, and in “Lifestyle and Environmental,” consumption dropped off, and textiles, high-performance fibers, etc. were sluggish. In “Life Science,” testing kits for COVID-19 using PCR testing fall under National Health Insurance, and reagents for genetic testing of COVID-19 for the fully automatic gene analyzing system “GENECUBE” received manufacturing and sales approval.

Based on its corporate philosophy, the Group established materiality (a key priority of management), changed to a solution-type organizational structure from the three months ended June 30, 2020 with “Films and Functional Materials,” “Mobility,” “Lifestyle and Environmental,” and “Life Science” in order to increase “the ability to provide solutions (contribution to society through business),” which is a part of materiality.

As a result, consolidated net sales in the three months ended June 30, 2020, decreased ¥5.4 billion (6.7 %) over the same period of the previous fiscal year, to ¥75.5 billion. Operating profit decreased ¥0.9 billion (16.7 %) to ¥4.4 billion, ordinary profit decreased ¥1.6 billion (36.3 %) to ¥2.8 billion, and profit attributable to owners of parent increased ¥0.1 billion (5.6 %) to ¥1.8 billion.

Results by business segment were as follows:

The Group changed its reporting segment classification from the three months ended June 30, 2020. Accordingly, in the following segment information, the figures for the three months ended June 30, 2019, have been restated in accordance with the method of classification existing after the aforesaid change for the purpose of comparing them with those of the three months ended June 30, 2020.

Films and Functional Materials

In this segment, sales and operating profit increased from the same period of the previous fiscal year due to the growth in the films business.

In the films business, the packaging film business achieved growth in sales due to a special demand from people staying at home caused by the spread of infection of COVID-19 and rising eco-consciousness of the world. On the other hand, in the industrial film business, mold releasing film for MLCC “COSMOPEEL” for automotive applications was affected by production adjustments. However, notwithstanding a difficult external environment, sales of polarizer protective films for LCDs “COSMOSHINE SRF” steadily expanded.

In the functional materials business, industrial adhesives “Vylon” and adhesion promoter for polyolefin “HARDLEN” experienced sluggish sales for automotive industry to Japan and overseas due to the impact of the spread of infection of COVID-19.

As a result, sales in this segment increased ¥6.8 billion (23.0 %) from the same period of the previous fiscal year to ¥36.3 billion, and operating profit increased ¥0.6 billion (17.7 %) to ¥3.9 billion.

Mobility

In this segment, sales and operating profit decreased from the same period of the previous fiscal year owing to the effect of global reducing production of vehicles caused by the spread of infection of COVID-19.

The airbag fabrics business faced a significant decline in sales in the United States and Thailand, and engineering plastics were affected by the impact of the decrease in production of automobiles.

As a result, sales in this segment decreased ¥5.0 billion (42.2 %) from the same period of the previous fiscal year to ¥6.8 billion, and operating loss of ¥0.7 billion. (Compared with operating profit of ¥0.3 billion for the same period of the previous fiscal year.)

Lifestyle and Environmental

In this segment, sales and operating profit decreased from the previous fiscal year due to the effect of the spread of infection of COVID-19, in the environmental solutions business, nonwoven fabrics business, functional fiber materials business and textile business.

In the environmental solutions business, shipment of volatile organic compound (VOC) emissions treatment equipment for recovering solvents lagged behind due to the stagnation of corporate activities, and sales of Reverse Osmosis (RO) membrane for seawater desalination decreased because the timing of orders of replacement elements shifted to the latter half of the fiscal year ending March 31, 2021.

In the nonwoven fabrics business, spunbond struggled, mainly for automotive applications, and sales of functional filters were strong for air purifiers and masks, but were sluggish for automotive applications and office machinery.

In the functional fiber materials business, polyester staple fibers for use in hygiene products achieved significant growth in sales, and sales of functional cushion material “BREATHAIR” for bedding applications were favorable. However, in high-performance fibers, sales of “Tsunoooga” decreased as demand for cut resistant gloves decreased as plant operation slowed down throughout the world.

In the textile business, store sales, etc. for sports, underwear and suits were sluggish because of a significant decline in orders.

As a result, sales in this segment decreased ¥7.8 billion (25.3 %) from the same period of the previous fiscal year to ¥22.9 billion, and operating profit decreased ¥0.5 billion (61.4 %) to ¥0.3 billion.

Life Science

In this segment, sales and operating profit increased from the same period of the previous fiscal year as demand for reagents for PCR testing surged in the biotechnology business due to the spread of COVID-19, and sales in the medical materials business were strong.

In the biotechnology business, demand for raw materials for diagnostic reagents and general testing decreased, but sales of raw materials for reagents for genetic testing and reagents for research increased significantly due to the spread of COVID-19.

The pharmaceutical business was sluggish as projects for the commissioned manufacturing of investigational drugs decreased and costs piled up for compliance with Good Manufacturing Practice (GMP; standards for manufacturing and quality control of pharmaceuticals and others).

In the medical materials business, sales of nerve regeneration inducing devices “Nerbridge” stagnated but sales of membranes for hemodialysis and hemodiafiltration were strong.

As a result, sales in this segment increased ¥0.4 billion (6.2 %) from the same period of the previous fiscal year to ¥6.3 billion, and operating profit increased ¥0.1 billion (14.4 %) to ¥1.0 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, total sales in these businesses increased ¥0.2 billion (6.2 %) over the same period of the previous fiscal year to ¥3.1 billion, and operating profit decreased ¥0.1 billion (24.0 %) to ¥0.5 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets increased ¥4.0 billion (0.8 %) over the end of the previous fiscal year, to ¥492.9 billion. This was due mainly because of an increase in cash and deposits.

Total liabilities increased ¥4.6 billion (1.5 %), to ¥310.9 billion. This was due mainly because of an increase in long-term loan payable.

Total net assets decreased ¥0.6 billion (0.3 %) to ¥182.0 billion. This was due mainly because of a decrease in retained earnings.

(3) Qualitative Information on Consolidated Forecasts

As it was difficult to rationally calculate the impact of COVID-19 on business activities, the forecast for the fiscal year ending March 31, 2021 was undecided. However, the Group will announce the forecast as it calculated the consolidated earnings forecast based on information currently available to the management, such as the status of the regulations in various countries, and estimates.

While the various countries around the world are working to prevent the spread of COVID-19, they are also changing course for the recovery of economic activity. However, the timing of when to normalize the economy and the process in which to do so is significantly influenced by when the end of COVID-19 will come about.

The forecast for the fiscal year ending March 31, 2021 was prepared under the assumption that the impact of the spread of COVID-19 will surpass the peak by the end of the second quarter and the economy in Japan and overseas followed by a gradual recovery trend from the third quarter onward. However, it is possible that this will change depending on when the end of COVID-19 comes about.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2020)	Current First Quarter (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	25,247	34,438
Notes and accounts receivable - trade	85,345	73,174
Electronically recorded monetary claims - operating	8,208	8,189
Merchandise and finished goods	49,150	53,262
Work in process	12,750	12,924
Raw materials and supplies	18,728	18,369
Other	7,141	6,971
Allowance for doubtful accounts	(154)	(143)
Total current assets	206,416	207,184
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	52,746	53,248
Machinery, equipment and vehicles, net	43,343	47,044
Land	97,055	96,984
Other, net	38,334	36,076
Total property, plant and equipment	231,478	233,352
Intangible assets	4,641	4,612
Investments and other assets		
Other	47,096	48,526
Allowance for doubtful accounts	(757)	(754)
Total investments and other assets	46,339	47,772
Total non-current assets	282,458	285,735
Total assets	488,874	492,920

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2020)	Current First Quarter (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	41,659	35,281
Electronically recorded obligations - operating	8,357	7,932
Short-term borrowings	32,027	39,985
Current portion of long-term borrowings	8,510	12,021
Provisions	4,664	2,417
Other	27,106	23,260
Total current liabilities	122,321	120,896
Non-current liabilities		
Bonds payable	55,000	55,000
Long-term borrowings	75,851	81,693
Provision for retirement benefits for directors (and other officers)	247	193
Provision for environmental measures	331	211
Retirement benefit liability	21,613	21,643
Other	30,875	31,250
Total non-current liabilities	183,916	189,990
Total liabilities	306,238	310,886
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,200	32,200
Retained earnings	61,929	60,170
Treasury shares	(350)	(350)
Total shareholders' equity	145,509	143,750
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,013	5,086
Deferred gains or losses on hedges	(8)	(3)
Revaluation reserve for land	44,457	44,457
Foreign currency translation adjustment	(11,954)	(11,929)
Remeasurements of defined benefit plans	(4,128)	(3,930)
Total accumulated other comprehensive income	32,381	33,682
Non-controlling interests	4,746	4,602
Total net assets	182,636	182,033
Total liabilities and net assets	488,874	492,920

(2) Consolidated Statements of Income

(Millions of yen)

	Previous First Quarter (Three months ended June 30, 2019)	Current First Quarter (Three months ended June 30, 2020)
Net sales	80,827	75,450
Cost of sales	60,651	55,397
Gross profit	20,176	20,053
Selling, general and administrative expenses	14,946	15,694
Operating profit	5,231	4,359
Non-operating income		
Dividend income	327	246
Share of profit of entities accounted for using equity method	301	168
Other	386	360
Total non-operating income	1,014	773
Non-operating expenses		
Interest expenses	316	338
Loss on suspension of production	184	700
Other	1,408	1,330
Total non-operating expenses	1,907	2,368
Ordinary profit	4,337	2,764
Extraordinary income		
Gain on sales of non-current assets	—	94
Total extraordinary income	—	94
Extraordinary losses		
Loss on disposal of non-current assets	744	362
Loss due to fire	1,006	—
Other	—	92
Total extraordinary losses	1,750	454
Profit before income taxes	2,587	2,404
Income taxes	1,016	799
Profit	1,571	1,605
Loss attributable to non-controlling interests	(99)	(159)
Profit attributable to owners of parent	1,670	1,764

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous First Quarter (Three months ended June 30, 2019)	Current First Quarter (Three months ended June 30, 2020)
Profit	1,571	1,605
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,536)	1,073
Deferred gains or losses on hedges	(31)	5
Foreign currency translation adjustment	(646)	185
Remeasurements of defined benefit plans, net of tax	79	198
Share of other comprehensive income of entities accounted for using equity method	(48)	(143)
Total other comprehensive income	<u>(3,182)</u>	<u>1,318</u>
Comprehensive income	<u>(1,610)</u>	<u>2,922</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,465)	3,065
Comprehensive income attributable to non-controlling interests	(146)	(142)

(3) Note to Going Concern:

Not applicable

(4) Notes on Significant Changes in Shareholders' Equity

Not applicable

(5) Segment Information

a. Segment information by business type

(i) Previous first quarter (from April 1, 2019 to June 30, 2019)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 1)	Total	Adjust- ment (Note 2)	Consolidated Statements of Profit (Note 3)
	Films and Functional Materials	Mobility	Lifestyle and Environ- mental	Life Science	Real Estate	Total				
Net Sales										
(1) Outside customers	29,528	11,741	30,674	5,972	1,099	79,014	1,813	80,827	—	80,827
(2) Inter-segment sales and transfers	82	37	92	13	97	321	3,933	4,254	(4,254)	—
Total	29,610	11,778	30,766	5,985	1,196	79,335	5,746	85,081	(4,254)	80,827
Operating Profit	3,326	318	881	872	431	5,828	194	6,023	(792)	5,231

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 (¥792) million includes eliminations of intersegment transactions of (¥51) million and companywide expenses that are not allocated across reporting segments of (¥741) million.

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

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

(ii) Current first quarter (from April 1, 2020 to June 30, 2020)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 4)	Total	Adjust- ment (Note 5)	Consolidated Statements of Profit (Note 6)
	Films and Functional Materials	Mobility	Lifestyle and Environ- mental	Life Science	Real Estate	Total				
Net Sales										
(1) Outside customers	36,308	6,786	22,922	6,341	997	73,355	2,095	75,450	—	75,450
(2) Inter-segment sales and transfers	15	4	45	8	99	170	2,630	2,800	(2,800)	—
Total	36,323	6,790	22,967	6,349	1,096	73,525	4,725	78,250	(2,800)	75,450
Operating Profit (Loss)	3,914	(653)	340	998	391	4,990	84	5,074	(715)	4,359

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 (¥715) million includes eliminations of intersegment transactions of ¥45 million and companywide expenses that are not allocated across reporting segments of (¥759) million.

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

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

(iii) Matters concerning changes to reporting segments

From the first quarter of this fiscal year, the Group is reviewing the method of classification of reportable segments in conformity with the changes of the Group's internal organizational structure carried out in order to realize the "ability to provide solutions" (contribution to society through business), which is the Group's materiality. Accordingly, business segments were changed from "Films and Functional Polymers," "Industrial Materials," "Health care" and "Textiles and Trading" to "Films and Functional Materials," "Mobility," "Lifestyle and Environmental" and "Life science".

Segment Information for the first quarter of the previous fiscal year was restated in accordance with the method of classification after the aforesaid change.