

Consolidated Financial Report for the Nine Months Ended December 31, 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

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	%
2023	307,323	2.9	4,992	(47.8)	2,395	(65.5)	1,573	(83.9)
2022	298,738	8.8	9,568	(58.2)	6,943	(61.8)	9,759	(19.5)

(Note) Comprehensive Income: Nine months ended December 31, 2023: ¥3,271 million (67.8%)
 Nine months ended December 31, 2022: ¥10,158 million (41.4%)

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2023	17.85	—
2022	109.72	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	584,434	220,914	32.3	2,145.84
March 31, 2023	588,906	221,422	32.2	2,146.46

(Reference) Total shareholders' equity: December 31, 2023: ¥189,047 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	—	0.00	—		
2024 (Forecast)				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	410,000	2.5	8,000	(20.5)	5,000	(24.1)

	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
Fiscal year	1,000	—	11.35

(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

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):

December 31, 2023: 89,048,792 shares March 31, 2023: 89,048,792 shares

2) Number of treasury stock:

December 31, 2023: 949,646 shares March 31, 2023: 723,040 shares

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

Nine months ended December 31, 2023: 88,095,837 shares

2022: 88,946,400 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 nine months ended December 31, 2023 saw firm consumer spending supporting economic activities in the United States, amid the unchanged policy interest rate. However, in China, the sense of economic stagnation continued due to the prolonged real estate recession and weak consumer mindset. In Japan, the economy recovered moderately due to a recovery in automobile production and expansion of inbound demand. There is continued concern over the impact on economic recovery from the effects of global monetary tightening, the struggling Chinese economy, and heightened geopolitical risk.

Under this business environment, sales of polarizer protective films for LCDs “COSMOSHINE SRF” and volatile organic compound (VOC) recovery equipment used in the manufacturing process for lithium-ion battery separators increased, driven by strong demand. On the other hand, adjustments of inventories on the market for packaging film became prolonged due to delays in demand recovery, and demand for reagents for PCR testing dropped sharply as a result of normalization from the COVID-19 pandemic.

As a result, consolidated net sales in the nine months ended December 31, 2023 increased ¥8.6 billion (2.9%) over the same period of the previous fiscal year, to ¥307.3 billion. Operating profit decreased ¥4.6 billion (47.8%), to ¥5.0 billion and ordinary profit decreased ¥4.5 billion (65.5%) to ¥2.4 billion. Profit attributable to owners of parent decreased ¥8.2 billion (83.9%), to ¥1.6 billion.

Results by business segment were as follows:

The Group changed its reporting segment classification from the first quarter of the consolidated fiscal year. Accordingly, in the following segment information, the figures for the nine months ended December 31, 2022, have been restated in accordance with the classification existing after the aforesaid change for the purpose of comparing them with those of the nine months ended December 31, 2023.

Films

In this segment, sales increased while operating profit decreased due to a delayed recovery in demand for packaging films.

In the packaging film business, while we worked on product price revisions in response to soaring raw material and fuel prices, slowed cargo movement continued due to delays in demand recovery, in addition to start-up cost for new production equipment increased.

In the industrial film business, sales of polarizer protective films for LCDs “COSMOSHINE SRF” increased driven by strong demand. Sales of mold releasing film for multilayer ceramic capacitors (MLCC) struggled as a full-fledged recovery in demand failed to materialize.

As a result, sales in this segment increased ¥7.4 billion (6.7%) from the same period of the previous fiscal year to ¥117.4 billion, and operating profit decreased ¥0.5 billion (25.3%) to ¥1.5 billion.

Life Science

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

In the biotechnology business, sales of reagents for PCR testing declined significantly due to the winding down of COVID-19 infections.

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

In the contract manufacturing business of pharmaceuticals, profitability improved due to a decrease in costs for supporting good manufacturing practice (GMP) (including manufacturing and quality control standards for pharmaceuticals, etc.) as a result of the lifting of the Warning Letter by the FDA.

As a result, sales in this segment decreased ¥4.1 billion (13.8%) from the same period of the previous fiscal year to ¥25.3 billion, and operating profit decreased ¥4.5 billion (56.3%) to ¥3.5 billion.

Environmental and Functional Materials

In this segment, despite the impact of delays in demand recovery for electronic materials for the Chinese market and high raw material and fuel prices, sales and operating profit increased due to sales of VOC recovery equipment and engineering plastics increased.

In the resins and chemicals business, engineering plastics sales increased with the recovery in automobile production volume, and product price revisions proceeded. Sales of industrial adhesives “Vylon” declined for electronic materials applications for the Chinese market.

In the environment and fiber business, sales of VOC recovery equipment and replacement elements used in the manufacturing process for lithium-ion battery separators significantly increased in the third quarter. In the high performance fibers business, sales of “ZYLON” for applications in building structural reinforcement and bicycle tires were weak. Nonwoven materials were affected by both reduced sales for hygiene products, and civil engineering and building materials, as well as soaring raw material and fuel prices.

As a result, sales in this segment increased ¥3.7 billion (4.5%) from the same period of the previous fiscal year to ¥86.2 billion, and operating profit increased ¥0.1 billion (2.5%) to ¥3.0 billion.

Functional Textiles and Trading

In this segment, sales increased and operating loss decreased due to structural reforms in the textile business and recovery of automobile market.

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, and product price revisions in response to rising raw material prices proceeded, leading to improved profitability.

As a result, sales in this segment increased ¥1.3 billion (1.9%) from the same period of the

previous fiscal year to ¥68.9 billion, and operating loss of ¥1.5 billion (compared with operating loss of ¥1.8 billion for the same period of the previous fiscal year).

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 ¥0.2 billion (2.7%) from the same period of the previous fiscal year to ¥9.6 billion, and operating profit increased ¥0.5 billion (28.8%) to ¥2.1 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets decreased ¥4.5 billion (0.8%) from the end of the previous fiscal year, to ¥584.4 billion. This was mainly due to a decrease in cash and deposits and notes and accounts receivable - trade, despite an increase in property, plant and equipment due to capital investment.

Total liabilities decreased ¥4.0 billion (1.1%) from the end of the previous fiscal year, to ¥363.5 billion. This was mainly due to a decrease in notes and accounts payable - trade.

Net assets decreased ¥0.5 billion (0.2%) from the end of the previous fiscal year, to ¥220.9 billion due to a decrease in retained earnings, despite an increase in foreign currency translation adjustment.

(3) Qualitative Information on Consolidated Forecasts

The consolidated earnings forecasts for the fiscal year ending March 31, 2024 are now expected to be lower than the previously announced figures, which were announced on November 9, 2023, due to the delayed improvement in profitability owing to a slow recovery in demand for packaging film, etc., although sales of polarizer protective films for LCDs “COSMOSHINE SRF” and VOC recovery equipment used in the manufacturing process for lithium-ion battery separators expanded.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2023)	Current Third Quarter (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	60,703	27,913
Notes and accounts receivable - trade	88,427	84,327
Contract assets	407	139
Electronically recorded monetary claims - operating	12,295	14,846
Merchandise and finished goods	75,343	73,738
Work in process	16,556	20,214
Raw materials and supplies	30,002	31,057
Other	15,672	12,429
Allowance for doubtful accounts	(271)	(326)
Total current assets	<u>299,133</u>	<u>264,337</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	54,515	63,751
Machinery, equipment and vehicles, net	46,907	59,061
Land	90,816	90,985
Construction in progress	39,829	48,674
Other, net	8,166	8,228
Total property, plant and equipment	<u>240,234</u>	<u>270,698</u>
Intangible assets	4,633	4,548
Investments and other assets		
Other	46,037	46,129
Allowance for doubtful accounts	(1,131)	(1,278)
Total investments and other assets	<u>44,906</u>	<u>44,850</u>
Total non-current assets	<u>289,773</u>	<u>320,097</u>
Total assets	<u>588,906</u>	<u>584,434</u>

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2023)	Current Third Quarter (As of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,436	48,292
Electronically recorded obligations - operating	5,156	5,295
Short-term borrowings	71,595	54,086
Current portion of bonds payable	10,000	15,000
Current portion of long-term borrowings	29,472	25,180
Provisions	4,956	2,798
Other	27,885	29,635
Total current liabilities	202,500	180,286
Non-current liabilities		
Bonds payable	65,000	60,000
Long-term borrowings	49,099	74,540
Deferred tax liabilities for land revaluation	19,641	19,641
Provision for retirement benefits for directors (and other officers)	239	266
Provision for environmental measures	12	11
Retirement benefit liability	22,427	21,387
Other	8,566	7,388
Total non-current liabilities	164,984	183,233
Total liabilities	367,484	363,520
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,402	33,187
Retained earnings	70,490	68,529
Treasury shares	(781)	(1,005)
Total shareholders' equity	153,840	152,442
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,434	1,454
Deferred gains or losses on hedges	67	(6)
Revaluation reserve for land	41,435	41,435
Foreign currency translation adjustment	(4,556)	(2,048)
Remeasurements of defined benefit plans	(4,632)	(4,230)
Total accumulated other comprehensive income	35,748	36,605
Non-controlling interests	31,834	31,867
Total net assets	221,422	220,914
Total liabilities and net assets	588,906	584,434

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

(Millions of yen)

(Consolidated Statements of Income)	Previous Third Quarter (From April 1, 2022 To December 31, 2022)	Current Third Quarter (From April 1, 2023 To December 31, 2023)
Net sales	298,738	307,323
Cost of sales	233,449	242,546
Gross profit	65,289	64,777
Selling, general and administrative expenses	55,721	59,786
Operating profit	9,568	4,992
Non-operating income		
Dividend income	256	249
Foreign exchange gains	390	783
Other	1,178	1,020
Total non-operating income	1,824	2,052
Non-operating expenses		
Interest expenses	1,003	989
Other	3,446	3,659
Total non-operating expenses	4,449	4,648
Ordinary profit	6,943	2,395
Extraordinary income		
Gain on sale of non-current assets	1,198	—
Gain on sale of investment securities	2,796	3,049
Insurance claim income	5,607	—
Total extraordinary income	9,601	3,049
Extraordinary losses		
Loss on disposal of non-current assets	2,309	1,605
Loss on change in equity	—	212
Total extraordinary losses	2,309	1,816
Profit before income taxes	14,235	3,628
Income taxes	4,540	1,936
Profit	9,695	1,692
Profit (loss) attributable to non-controlling interests	(64)	119
Profit attributable to owners of parent	9,759	1,573

(Millions of yen)

(Consolidated Statements of Comprehensive Income)	Previous Third Quarter (From April 1, 2022 To December 31, 2022)	Current Third Quarter (From April 1, 2023 To December 31, 2023)
Profit	9,695	1,692
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,923)	(1,885)
Deferred gains or losses on hedges	2	(73)
Foreign currency translation adjustment	1,637	2,568
Remeasurements of defined benefit plans, net of tax	4	402
Share of other comprehensive income of entities accounted for using equity method	743	568
Total other comprehensive income	463	1,579
Comprehensive income	10,158	3,271
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,088	2,885
Comprehensive income attributable to non-controlling interests	70	386

(3) Notes to Consolidated Financial Statements

(Note to Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Segment Information)

(i) Nine months ended December 31, 2022

(Millions of yen)

	Segment to Be Reported						Other Business- es (Note 1)	Total	Adjust- ment (Note 2)	Consolid- ated State- ments of Income (Note 3)
	Films	Life Science	Environ- mental and Funcio- nal Materials	Funcio- nal Textiles and Trading	Real Estate	Total				
Net sales										
(1) Outside customers	109,974	29,320	82,477	67,601	3,124	292,496	6,242	298,738	—	298,738
(2) Inter-segment sales and transfers	98	34	2,824	462	301	3,718	11,176	14,894	(14,894)	—
Total	110,072	29,354	85,301	68,062	3,424	296,214	17,418	313,632	(14,894)	298,738
Segment profit (loss)	2,008	7,968	2,931	(1,793)	1,204	12,317	450	12,767	(3,199)	9,568

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 ¥(3,199) million includes eliminations of intersegment transactions of ¥(204) million and companywide expenses that are not allocated across reporting segments of ¥(2,995) million. The principal components of companywide expenses are those related to basic research and development.
3. Segment profit or loss has been adjusted with operating profit on the consolidated financial statements.

(ii) Nine months ended December 31, 2023

(Millions of yen)

	Segment to Be Reported						Other Business- es (Note 4)	Total	Adjust- ment (Note 5)	Consolid- ated State- ments of Income (Note 6)
	Films	Life Science	Environ- mental and Func-tio- nal Materials	Func-tio- nal Textiles and Trading	Real Estate	Total				
Net sales										
(1) Outside customers	117,393	25,262	86,166	68,888	3,073	300,782	6,542	307,323	—	307,323
(2) Inter-segment sales and transfers	1,674	79	6,688	848	870	10,158	12,571	22,729	(22,729)	—
Total	119,066	25,340	92,854	69,736	3,943	310,939	19,113	330,052	(22,729)	307,323
Segment profit (loss)	1,499	3,485	3,003	(1,546)	1,559	8,000	571	8,571	(3,579)	4,992

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 ¥(3,579) million includes eliminations of intersegment transactions of ¥(407) million and companywide expenses that are not allocated across reporting segments of ¥(3,172) million. The principal components of companywide expenses are those related to basic research and development.
6. Segment profit or loss has been adjusted with operating profit on the consolidated financial statements.

(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 nine months ended December 31, 2022 was prepared in accordance with the classifications after the change.

(Significant Subsequent Events)

Not applicable