

Consolidated Financial Report for the Six Months Ended September 30, 2022

TOYOBO Co., Ltd.

URL <https://ir.toyobo.co.jp/en/ir.html>

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

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Quarterly report filling date (Planned): November 14, 2022

(Figures are rounded to the nearest million yen)

1. Consolidated Business Performance

(1) Consolidated Operating Results

Six months ended September 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	%
2022	201,123	9.4	7,885	(53.9)	6,760	(49.2)	10,970	13.0
2021	183,864	16.7	17,112	64.2	13,305	127.0	9,705	267.3

(Note) Comprehensive Income: Six months ended September 30, 2022: ¥13,490 million (0.8%)
Six months ended September 30, 2021: ¥13,600 million 214.1%

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2022	123.35	-
2021	109.21	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2022	541,167	206,975	37.8	2,290.07
March 31, 2022	517,774	197,149	37.6	2,192.17

(Reference) Total shareholders' equity: September 30, 2022: ¥204,573 million, March 31, 2022: ¥194,876 million

2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2022	-	0.00	-	40.00	40.00
FY 3/2023	-	0.00			
FY 3/2023 (Forecast)			-	40.00	40.00

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

3. Forecasts for Fiscal Year Ending March 31, 2023

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	9.1	17,000	(40.2)	14,000	(39.4)

	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
Fiscal year	12,000	(6.7)	134.93

(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):

September 30, 2022: 89,048,792 shares March 31, 2022: 89,048,792 shares

2) Number of treasury stock:

September 30, 2022: 68,074 shares March 31, 2022: 152,550 shares

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

Six months ended September 30, 2022: 88,931,822 shares

2021: 88,860,021 shares

※ Quarterly Financial Results reports are exempt from Quarterly review.

※ Explanation regarding the appropriate use of forecasts of business results

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual results may differ from the results anticipated in the statements.

(How to obtain supplementary document on earnings)

The supplementary document on earnings is disclosed on the same day as the Quarterly Financial Results report, and it is made available on the Company's website.

1. Qualitative Information and Financial Statements

(1) Qualitative Information on Consolidated Results

As for the business environment surrounding the Toyobo Group (hereinafter the “Group”) in the six months ended September 30, 2022, in Europe and the United States, business conditions, which had been in recovery following the easing of COVID-19, have now entered a phase of slowdown brought about by increasing inflationary pressure, monetary tightening policies and rising raw material and fuel prices accompanying the worsening and prolongation of the situation in Ukraine. In China, the weakening of economic growth has become more pronounced due to zero-COVID policy (lockdowns) and a slump in the real estate sector. In Japan, on the other hand, despite previous signs of a business recovery due to an easing of requests for voluntary restriction of movement following the present reduction in COVID-19 infections, the trade deficit has expanded as a result of yen depreciation and rising raw material and fuel prices. Going forward, there are concerns regarding the negative impact on economic activities from continuing yen depreciation and raw material and fuel prices remaining high.

Under this business environment, sales of volatile organic compound (VOC) treatment equipment for recovering solvents have proceeded robustly owing to increased demand for lithium-ion batteries. Moreover, sales of raw materials and reagents for PCR testing grew in response to the demand for PCR testing due to the resurgence of COVID-19 infections since July. On the other hand, sales of polarizer protective films for LCDs “COSMOSHINE SRF” and mold releasing film for multilayer ceramic capacitors (MLCC) fell due to a temporary deterioration in the market. In addition, sales of films and spunbond faced challenges as product price revisions were unable to keep up with the rising raw material and fuel prices.

As a result, consolidated net sales in the six months ended September 30, 2022 increased ¥17.3 billion (9.4%) over the same period of the previous fiscal year, to ¥201.1 billion. Operating profit decreased ¥9.2 billion (53.9%), to ¥7.9 billion and ordinary profit decreased ¥6.5 billion (49.2%) to ¥6.8 billion. Profit attributable to owners of parent increased ¥1.3 billion (13.0%) to ¥11.0 billion after recording extraordinary income in the first three months of the fiscal year of ¥5.6 billion from insurance claim income for a fire accident.

Results by business segment were as follows:

Films and Functional Materials

In this segment, sales increased while operating profit decreased due to impacts from rising raw material and fuel prices and a deterioration of market conditions for the industrial film business.

In the films business, the packaging film business was sluggish due to difficulties in realizing product price revisions to compensate for rising raw material and fuel prices, despite strong sales.

In the industrial film business, sales fell due to a temporary deterioration in the market for polarizer protective films for LCDs “COSMOSHINE SRF” and mold releasing film for MLCC.

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 increased ¥0.8 billion (0.9%) from the same period of the previous fiscal year to ¥86.7 billion, and operating profit decreased ¥8.0 billion (65.4%) to ¥4.2

billion.

Mobility

In this segment, sales increased while operating loss increased due to the impact of production curtailment of automobiles in addition to rising raw material and fuel prices.

Sales of engineering plastics decreased due to product price revisions being unable to keep up with the rising raw material and fuel prices both in Japan and overseas, in addition to the impact of the production curtailment of automobiles.

Regarding airbag fabrics, despite achieving sales increase, spread between raw material prices and sales prices deteriorated due to rising procurement prices for airbag yarn caused by yen depreciation and the rising raw materials.

As a result, sales in this segment increased ¥2.6 billion (12.0%) from the same period of the previous fiscal year to ¥24.1 billion, with an operating loss of ¥2.0 billion. (Compared with operating loss of ¥0.9 billion for the same period of the previous fiscal year.)

Lifestyle and Environment

In this segment, sales increased while operating profit decreased as product price revisions were unable to keep up with rising raw material and fuel prices, such as for nonwoven materials business, despite strong sales of VOC treatment equipment for recovering solvents.

In the environmental solutions business, with regard to VOC treatment equipment, sales of replacement elements as well as VOC treatment 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, sales of spunbond and functional filters were affected by the production curtailment of automobiles in Japan, and sales of functional cushion material “BREATHAIR” were affected by zero-COVID policy in China. Moreover, 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 of “ZYLON” for applications for bicycle tires and building structural reinforcement were strong.

As a result, sales in this segment increased ¥9.9 billion (18.1%) from the same period of the previous fiscal year to ¥64.6 billion, and operating profit decreased ¥0.7 billion (35.1%) to ¥1.2 billion.

Life Science

In this segment, sales and operating profit increased as demand for reagents for PCR testing increased significantly in the second quarter.

In the biotechnology business, sales of raw materials and reagents for PCR testing grew in response to the demand for PCR testing due to the resurgence of COVID-19 infections. Sales of enzymes for diagnostic reagents as well as those for genetic testing reagents were strong due to the impact of foreign exchange in addition to an increase in sales for Europe and the United States.

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

As a result, sales in this segment increased ¥3.0 billion (18.1%) from the same period of the previous fiscal year to ¥19.3 billion, and operating profit increased ¥0.8 billion (17.3%) to ¥5.4 billion.

Real Estate and Other Business

This segment includes infrastructure-related businesses such as real estate, engineering, information processing services, and logistics services. Results in these businesses were generally in line with plans.

As a result, sales in this segment increased ¥1.1 billion (19.7%) from the same period of the previous fiscal year to ¥6.4 billion, and operating profit decreased ¥0.1 billion (8.1%) to ¥1.0 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets increased ¥23.4 billion (4.5%) from the end of the previous fiscal year, to ¥541.2 billion. This was mainly due to an increase in inventories and an increase in property, plant and equipment due to capital investment.

Total liabilities increased ¥13.6 billion (4.2%) to ¥334.2 billion. This was mainly due to an increase in notes and accounts payable – trade and borrowings.

Net assets increased ¥9.8 billion (5.0%) from the end of the previous fiscal year, to ¥207.0 billion mainly due to an increase in retained earnings and foreign currency translation adjustment.

Cash Flows

Net cash provided by operating activities amounted to ¥12.2 billion in the subject first half period. This was due mainly to a cash decrease from an increase in inventories of ¥16.4 billion, and a cash increase from profit before income taxes of ¥14.8 billion and depreciation of ¥9.6 billion.

Net cash used in investing activities amounted to ¥16.8 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥19.5 billion.

Net cash provided by financing activities amounted to ¥5.2 billion. This was due mainly to proceeds from long-term borrowings of ¥22.9 billion, repayments of long-term borrowings of ¥19.2 billion.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2022) stood at ¥28.1 billion, an increase of ¥1.7 billion from the end of the previous fiscal year (March 31, 2022).

(3) Qualitative Information on Consolidated Forecasts

In light of recent developments, we have revised our consolidated earnings forecasts for the fiscal year ending March 31, 2023, which were announced on May 12, 2022. For details, please refer to the “Notice of Revision of Consolidated Earnings Forecasts” released today (November 10, 2022).

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2022)	Current First Half (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	27,176	28,875
Notes and accounts receivable - trade	91,082	86,921
Contract assets	421	841
Electronically recorded monetary claims - operating	10,747	11,519
Merchandise and finished goods	57,362	67,745
Work in process	14,483	16,850
Raw materials and supplies	24,204	29,881
Other	14,150	13,776
Allowance for doubtful accounts	(311)	(327)
Total current assets	239,314	256,082
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,960	56,785
Machinery, equipment and vehicles, net	51,786	52,909
Land	91,586	90,843
Other, net	30,242	35,739
Total property, plant and equipment	227,574	236,276
Intangible assets	4,307	4,172
Investments and other assets		
Other	47,551	45,691
Allowance for doubtful accounts	(972)	(1,054)
Total investments and other assets	46,579	44,637
Total non-current assets	278,460	285,085
Total assets	517,774	541,167

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2022)	Current First Half (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	46,876	52,657
Electronically recorded obligations - operating	6,326	6,287
Short-term borrowings	40,592	47,488
Current portion of bonds payable	—	10,000
Current portion of long-term borrowings	21,418	8,290
Provisions	4,823	5,640
Other	26,714	23,391
Total current liabilities	146,750	153,753
Non-current liabilities		
Bonds payable	55,000	45,000
Long-term borrowings	70,681	88,048
Provision for retirement benefits for directors (and other officers)	236	240
Provision for environmental measures	12	12
Retirement benefit liability	19,841	19,722
Other	28,106	27,417
Total non-current liabilities	173,876	180,438
Total liabilities	320,626	334,191
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,193	32,098
Retained earnings	74,700	82,114
Treasury shares	(221)	(97)
Total shareholders' equity	158,402	165,845
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,882	3,042
Deferred gains or losses on hedges	7	80
Revaluation reserve for land	41,562	41,562
Foreign currency translation adjustment	(7,656)	(3,639)
Remeasurements of defined benefit plans	(2,321)	(2,318)
Total accumulated other comprehensive income	36,474	38,728
Non-controlling interests	2,273	2,402
Total net assets	197,149	206,975
Total liabilities and net assets	517,774	541,167

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

(Millions of yen)

(Consolidated Statements of Income)	Previous First Half (From April 1, 2021 To September 30, 2021)	Current First Half (From April 1, 2022 To September 30, 2022)
Net sales	183,864	201,123
Cost of sales	134,417	155,942
Gross profit	49,447	45,180
Selling, general and administrative expenses	32,335	37,296
Operating profit	17,112	7,885
Non-operating income		
Dividend income	309	218
Foreign exchange gains	—	1,164
Other	557	604
Total non-operating income	866	1,985
Non-operating expenses		
Interest expenses	632	665
Loss on suspension of production	617	—
Other	3,424	2,445
Total non-operating expenses	4,673	3,110
Ordinary profit	13,305	6,760
Extraordinary income		
Gain on sale of non-current assets	—	1,196
Gain on sale of investment securities	—	2,700
Insurance claim income	—	5,607
Total extraordinary income	—	9,503
Extraordinary losses		
Loss on disposal of non-current assets	1,577	1,423
Other	261	—
Total extraordinary losses	1,838	1,423
Profit before income taxes	11,467	14,841
Income taxes	1,824	3,872
Profit	9,643	10,968
Loss attributable to non-controlling interests	(61)	(2)
Profit attributable to owners of parent	9,705	10,970

(Millions of yen)

(Consolidated Statements of Comprehensive Income)	Previous First Half (From April 1, 2021 To September 30, 2021)	Current First Half (From April 1, 2022 To September 30, 2022)
Profit	9,643	10,968
Other comprehensive income		
Valuation difference on available-for-sale securities	3,643	(1,840)
Deferred gains or losses on hedges	0	73
Foreign currency translation adjustment	173	3,724
Remeasurements of defined benefit plans, net of tax	(34)	3
Share of other comprehensive income of entities accounted for using equity method	174	561
Total other comprehensive income	<u>3,956</u>	<u>2,521</u>
Comprehensive income	<u>13,600</u>	<u>13,490</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,681	13,224
Comprehensive income attributable to non-controlling interests	(82)	266

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous First Half (From April 1, 2021 To September 30, 2021)	Current First Half (From April 1, 2022 To September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	11,467	14,841
Depreciation	10,009	9,612
Interest expenses	632	665
Insurance claim income	—	(5,607)
Decrease (increase) in trade receivables	3,053	4,496
Decrease (increase) in inventories	(10,480)	(16,354)
Increase (decrease) in trade payables	2,691	4,550
Other, net	(3,956)	(2,578)
Subtotal	13,416	9,625
Income taxes refund (paid)	(1,615)	(3,041)
Proceeds from insurance income	—	5,607
Net cash provided by (used in) operating activities	11,801	12,191
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(13,808)	(19,480)
Other, net	(707)	2,696
Net cash provided by (used in) investing activities	(14,515)	(16,783)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,052	6,361
Proceeds from long-term borrowings	7,867	22,909
Repayments of long-term borrowings	(6,027)	(19,173)
Redemption of bonds	(5,000)	—
Interest paid	(643)	(672)
Dividends paid	(3,549)	(3,549)
Other, net	(448)	(664)
Net cash provided by (used in) financing activities	(5,747)	5,213
Effect of exchange rate change on cash and cash equivalents	36	1,052
Net increase (decrease) in cash and cash equivalents	(8,426)	1,672
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	26,105	28,106

(4) Note to Consolidated Financial Statement

(Note to Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Segment Information)

(i) Six months ended September 30, 2021

(Millions of yen)

	Segment to Be Reported						Other Businesses (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	85,917	21,556	54,706	16,347	1,926	180,452	3,412	183,864	—	183,864
(2) Inter-segment sales and transfers	68	15	192	16	204	495	7,367	7,862	(7,862)	—
Total	85,985	21,571	54,898	16,363	2,130	180,948	10,779	191,726	(7,862)	183,864
Segment profit (loss)	12,238	(867)	1,872	4,616	748	18,607	328	18,935	(1,823)	17,112

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 (¥1,823) million includes eliminations of intersegment transactions of (¥63) million and companywide expenses that are not allocated across reporting segments of (¥1,760) 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) Six months ended September 30, 2022

(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	86,694	24,135	64,594	19,309	2,026	196,758	4,365	201,123	—	201,123
(2) Inter-segment sales and transfers	83	13	110	17	188	411	7,883	8,294	(8,294)	—
Total	86,777	24,148	64,704	19,326	2,214	197,169	12,248	209,417	(8,294)	201,123
Segment profit (loss)	4,233	(2,019)	1,215	5,412	805	9,646	184	9,830	(1,946)	7,885

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 (¥1,946) million includes eliminations of intersegment transactions of (¥38) million and companywide expenses that are not allocated across reporting segments of (¥1,908) 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.