

Consolidated Financial Report for the Six Months Ended September 30, 2024

TOYOBO Co., Ltd.

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

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

Representative: Ikuo Takeuchi, President and Representative Director

Contact Person: Sonoko Ishimaru, Executive Officer, General Manager, Corporate Communication Department

TEL: +81-6-6348-3044

Planned Filing Date of a Semi-annual Securities Report: November 14, 2024

(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	%
2024	209,161	4.9	6,931	193.5	3,180	206.5	114	(94.3)
2023	199,419	(0.8)	2,361	(70.1)	1,038	(84.7)	2,011	(81.7)

(Note) Comprehensive Income: Six months ended September 30, 2024: ¥2,018 million (51.4%)
Six months ended September 30, 2023: ¥4,150 million (69.2%)

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2024	1.29	—
2023	22.82	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2024	603,176	228,869	32.0	2,191.14
March 31, 2024	606,990	230,087	32.5	2,236.50

(Reference) Total shareholders' equity: September 30, 2024: ¥193,200 million, March 31, 2024: ¥197,033 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
2024	—	0.00	—	40.00	40.00
2025	—	0.00			
2025 (Forecast)			—	40.00	40.00

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

3. Forecasts for Fiscal Year Ending March 31, 2025

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

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	435,000	5.0	17,000	89.0	11,500	65.2

	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
Fiscal year	2,600	5.9	29.50

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

4. Other

1. Significant changes in the scope of consolidation during the subject fiscal year: 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, 2024: 89,048,792 shares March 31, 2024: 89,048,792 shares
 - 2) Number of treasury stock:

September 30, 2024: 875,462 shares March 31, 2024: 949,992 shares
 - 3) Average number of shares outstanding for each period (cumulative term):

Six months ended September 30, 2024: 88,129,699 shares

Six months ended September 30, 2023: 88,094,277 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 Semi-annual 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

In the business environment surrounding the Toyobo Group (hereinafter “the Group”) in the six months ended September 30, 2024, in the United States, steady economic activity was supported by consumer spending amid a change to lowering the policy interest rate as price inflation slowed. In China, the economy remained weak due to a downturn in internal demand with factors including a prolonged real estate recession and weak consumption. In Japan, the economy has recovered moderately due to increased inbound tourism demand and expansion of capital investment amid a hike in the policy interest rate. Looking ahead, the business environment is expected to be impacted by raw material and fuel price fluctuations due to the destabilization of the international situation and by economic trends in China, the United States, and others.

Under this business environment, a full-fledged recovery in demand for mold releasing film for multilayer ceramic capacitors (MLCC) and packaging film failed to materialize despite the moderate recovery in cargo movement. On the other hand, polarizer protective films for LCDs “COSMOSHINE SRF” and volatile organic compound (VOC) recovery equipment used in the manufacturing process for lithium-ion battery separators and traditional Arabic fabric remained steady.

As a result, consolidated net sales in the six months ended September 30, 2024 increased ¥9.7 billion (4.9%) over the same period of the previous fiscal year, to ¥209.2 billion. Operating profit increased ¥4.6 billion (193.5%), to ¥6.9 billion and ordinary profit increased ¥2.1 billion (206.5%) to ¥3.2 billion. Profit attributable to owners of parent decreased ¥1.9 billion (94.3%), to ¥0.1 billion.

Results by business segment were as follows:

Films

In the packaging film business, there was a moderate recovery in cargo movement, and the Company made progress on product price revisions for raw material and fuel prices; however, higher costs, mainly for new product development expenses, had an impact.

In the industrial film business, sales of mold releasing film for MLCC were sluggish as a full-fledged growth in demand failed to materialize despite the end of inventory adjustments throughout the supply chain. Sales of polarizer protective films for LCDs “COSMOSHINE SRF” were steady.

As a result, sales in this segment increased ¥4.8 billion (6.1%) from the same period of the previous fiscal year to ¥82.8 billion, and operating profit increased ¥1.6 billion (110.4%) to ¥3.0 billion.

Life Science

In the biotechnology business, sales of enzymes for diagnostic reagents were strong both in Japan and overseas, but expenses associated with the expansion of production capacity increased.

In the medical materials business, demand for artificial kidney hollow fiber trended strong, but an increase in expenses to launch a new plant, in addition to increased manufacturing costs, had an impact.

In the contract manufacturing business of pharmaceuticals, profitability improved as a result of the lifting of the Warning Letter by the FDA.

As a result, sales in this segment increased ¥0.6 billion (3.9%) from the same period of the previous fiscal year to ¥17.2 billion, and operating profit decreased ¥1.5 billion (62.2%) to ¥0.9 billion.

Environmental and Functional Materials

In the resin and chemical business, sales of engineering plastics increased for automotive use for the North and Central America. Sales of photo functional materials for water-wash photosensitive printing plates increased, mainly in China.

In the environment and fiber business, environmental solutions sales of VOC recovery equipment and replacement elements used in the manufacturing process for lithium-ion battery separators increased. In addition, sales of brine concentration membrane equipment for lithium recovery contributed. In high performance fibers, overseas demand was steadily captured to achieve strong performance.

As a result, sales in this segment increased ¥2.7 billion (5.1%) from the same period of the previous fiscal year to ¥55.2 billion, and operating profit increased ¥3.0 billion (806.9%) to ¥3.4 billion.

Functional Textiles and Trading

In the textile business, sales of traditional Arabic fabric grew due to strong demand, and exports saw an uptick in profitability due to the effect of exchange fluctuations. In addition, profitability improved as a result of reforms of business structure such as the consolidation of production bases in Japan.

In the airbag fabric business, profitability improved as product price revisions proceeded.

As a result, sales in this segment increased ¥2.3 billion (5.0%) from the same period of the previous fiscal year to ¥47.9 billion, and operating profit of ¥0.1 billion (compared with operating loss of ¥0.9 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 decreased ¥0.6 billion (9.7%) from the same period of the previous fiscal year to ¥6.0 billion, and operating profit decreased ¥0.2 billion (15.9%) to ¥1.2 billion.

(2) Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets decreased ¥3.8 billion (0.6%) from the end of the previous fiscal year, to ¥603.2 billion. This was mainly due to a decrease in cash and deposits, notes and accounts receivable – trade, despite an increase in property, plant and equipment due to capital investment.

Total liabilities decreased ¥2.6 billion (0.7%) to ¥374.3 billion. This was mainly due to a decrease in notes and accounts payable – trade, electronically recorded obligations - operating, despite an increase in borrowings.

Net assets decreased ¥1.2 billion (0.5%) from the end of the previous fiscal year, to ¥228.9 billion due to a decrease in retained earnings because of dividends paid and other factors, despite an increase in non-controlling interests.

Cash Flows

Net cash provided by operating activities amounted to ¥17.1 billion in the subject first half period. This was mainly due to depreciation of ¥11.2 billion and a cash increase of ¥2.9 billion due to a decrease in trade receivables, as well as profit before income taxes of ¥2.3 billion.

Net cash used in investing activities amounted to ¥24.3 billion. This was mainly due to purchase of property, plant and equipment and intangible assets of ¥24.6 billion.

Net cash provided by financing activities amounted to ¥1.3 billion. This was mainly due to proceeds from long-term borrowings of ¥30.6 billion and proceeds from issuance of bonds of ¥17.0 billion, and net decrease in short-term borrowings of ¥19.8 billion, redemption of bonds of ¥15.0 billion, repayments of long-term borrowings of ¥5.3 billion and dividends paid of ¥3.5 billion.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2024) stood at ¥27.1 billion, a decrease of ¥6.2 billion from the end of the previous fiscal year (March 31, 2024).

(3) Forecast for Fiscal 2025 (Ending March 31, 2025)

The performance of the Group in the six months ended September 30, 2024 was generally as forecast. Regarding the consolidated earnings forecast for fiscal year ending March 31, 2025, no changes have been made in the outlook announced on May 13, 2024.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2024)	Current First Half (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	33,796	28,353
Notes and accounts receivable - trade	87,743	82,498
Contract assets	140	1
Electronically recorded monetary claims – operating	14,921	13,827
Merchandise and finished goods	69,996	65,640
Work in process	20,566	21,656
Raw materials and supplies	31,421	32,674
Other	15,488	12,990
Allowance for doubtful accounts	(337)	(340)
Total current assets	273,733	257,300
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	64,575	72,791
Machinery, equipment and vehicles, net	59,855	66,107
Land	91,049	90,396
Construction in progress	53,025	49,508
Other, net	12,972	13,112
Total property, plant and equipment	281,475	291,913
Intangible assets	4,670	4,857
Investments and other assets		
Other	48,380	49,174
Allowance for doubtful accounts	(1,268)	(68)
Total investments and other assets	47,112	49,107
Total non-current assets	333,257	345,877
Total assets	606,990	603,176

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2024)	Current First Half (As of September 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,782	44,721
Electronically recorded obligations - operating	4,229	3,135
Short-term borrowings	68,385	48,436
Current portion of bonds payable	15,000	10,000
Current portion of long-term borrowings	13,069	15,908
Provisions	5,308	5,526
Other	28,375	26,236
Total current liabilities	184,148	153,963
Non-current liabilities		
Bonds payable	60,000	67,000
Long-term borrowings	85,637	108,192
Deferred tax liabilities for land revaluation	18,762	18,754
Provision for retirement benefits for directors (and other officers)	274	177
Provision for environmental measures	11	11
Retirement benefit liability	15,901	15,322
Other	12,171	10,888
Total non-current liabilities	192,755	220,344
Total liabilities	376,903	374,307
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	33,187	32,647
Retained earnings	70,315	66,954
Treasury shares	(1,006)	(925)
Total shareholders' equity	154,227	150,406
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,801	1,988
Deferred gains or losses on hedges	(1)	(74)
Revaluation reserve for land	40,603	40,590
Foreign currency translation adjustment	(548)	(785)
Remeasurements of defined benefit plans	951	1,076
Total accumulated other comprehensive income	42,806	42,794
Non-controlling interests	33,054	35,669
Total net assets	230,087	228,869
Total liabilities and net assets	606,990	603,176

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

(Millions of yen)

(Consolidated Statements of Income)	Previous First Half (From April 1, 2023 To September 30, 2023)	Current First Half (From April 1, 2024 To September 30, 2024)
Net sales	199,419	209,161
Cost of sales	157,659	161,892
Gross profit	41,760	47,269
Selling, general and administrative expenses	39,399	40,338
Operating profit	2,361	6,931
Non-operating income		
Foreign exchange gains	1,395	—
Compensation income	—	480
Other	898	1,210
Total non-operating income	2,293	1,690
Non-operating expenses		
Interest expenses	636	917
Other	2,980	4,524
Total non-operating expenses	3,616	5,441
Ordinary profit	1,038	3,180
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	—	1,489
Gain on sale of investment securities	3,047	78
Total extraordinary income	3,047	1,567
Extraordinary losses		
Impairment losses	—	950
Loss on disposal of non-current assets	787	1,357
Loss on sale of non-current assets	—	125
Loss on change in equity	212	—
Total extraordinary losses	998	2,433
Profit before income taxes	3,086	2,314
Income taxes	1,519	165
Profit	1,567	2,149
Profit (loss) attributable to non-controlling interests	(444)	2,035
Profit attributable to owners of parent	2,011	114

(Millions of yen)

(Consolidated Statements of Comprehensive Income)	Previous First Half (From April 1, 2023 To September 30, 2023)	Current First Half (From April 1, 2024 To September 30, 2024)
Profit	1,567	2,149
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,878)	183
Deferred gains or losses on hedges	96	(116)
Foreign currency translation adjustment	3,647	(1,008)
Remeasurements of defined benefit plans, net of tax	267	125
Share of other comprehensive income of entities accounted for using equity method	451	684
Total other comprehensive income	<u>2,584</u>	<u>(131)</u>
Comprehensive income	<u>4,150</u>	<u>2,018</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,170	162
Comprehensive income attributable to non-controlling interests	(20)	1,856

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous First Half (From April 1, 2023 To September 30, 2023)	Current First Half (From April 1, 2024 To September 30, 2024)
Cash flows from operating activities		
Profit before income taxes	3,086	2,314
Depreciation	9,395	11,178
Interest expenses	636	917
Decrease (increase) in trade receivables	5,005	2,912
Decrease (increase) in inventories	(3,924)	(259)
Increase (decrease) in trade payables	(5,568)	(3,020)
Other, net	3,105	6,113
Subtotal	11,736	20,156
Income taxes refund (paid)	(1,655)	(3,056)
Net cash provided by (used in) operating activities	10,081	17,100
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(28,772)	(24,585)
Other, net	1,839	246
Net cash provided by (used in) investing activities	(26,933)	(24,339)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(22,022)	(19,790)
Proceeds from long-term borrowings	30,208	30,600
Repayments of long-term borrowings	(8,554)	(5,307)
Proceeds from issuance of bonds	—	17,000
Redemption of bonds	(10,000)	(15,000)
Interest paid	(628)	(864)
Dividends paid	(3,527)	(3,519)
Other, net	(900)	(1,844)
Net cash provided by (used in) financing activities	(15,423)	1,277
Effect of exchange rate change on cash and cash equivalents	1,510	(261)
Net increase (decrease) in cash and cash equivalents	(30,765)	(6,223)
Cash and cash equivalents at beginning of period	60,204	33,310
Cash and cash equivalents at end of period	29,439	27,087

(4) Notes to Consolidated Financial Statements

(Segment Information)

(i) Previous First Half (From April 1, 2023 to September 30, 2023)

(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 Function- al Materials	Function- al Textiles and Trading	Real Estate	Total				
Net sales										
(1) Outside customers	78,055	16,559	52,529	45,674	2,000	194,817	4,602	199,419	—	199,419
(2) Inter-segment sales and transfers	1,134	7	4,776	591	582	7,090	9,572	16,662	(16,662)	—
Total	79,189	16,566	57,305	46,264	2,582	201,907	14,175	216,082	(16,662)	199,419
Segment profit (loss)	1,433	2,395	370	(854)	971	4,315	411	4,725	(2,364)	2,361

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 ¥(2,364) million includes eliminations of intersegment transactions of ¥(240) million and companywide expenses that are not allocated across reporting segments of ¥(2,124) 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) Current First Half (From April 1, 2024 to September 30, 2024)

(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- tional Materials	Func- tional Textiles and Trading	Real Estate	Total				
Net sales										
(1) Outside customers	82,813	17,202	55,233	47,949	2,059	205,257	3,903	209,161	—	209,161
(2) Inter-segment sales and transfers	1,189	53	4,254	573	581	6,650	6,075	12,724	(12,274)	—
Total	84,002	17,255	59,487	48,522	2,641	211,907	9,978	221,885	(12,274)	209,161
Segment profit	3,014	905	3,359	108	889	8,275	272	8,547	(1,616)	6,931

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 ¥(1,616) million includes eliminations of intersegment transactions of ¥ 271 million and companywide expenses that are not allocated across reporting segments of ¥(1,887) 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) Information on Impairment Losses on Non-current Assets, Goodwill, etc., for each Reporting Segment

(Significant impairment losses on non-current assets)

In the Films segment, impairment losses on non-current assets were recorded. The amount of these impairment losses in the six months ended September 30, 2024 was ¥950 million.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Note to Going Concern Assumption)

Not applicable