

# Consolidated Financial Statements Summary

(For the three months ended June 30, 2021)

English translation from the original Japanese-language document

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)



August 6, 2021

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(Amounts rounded to the nearest million yen)

## 1. Highlight of the First quarter of FY2021 (April 1, 2021 through June 30, 2021)

### (1) Consolidated financial results

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the three months ended June 30, 2021	225,889	26.1	17,254	37.1	18,448	48.2	9,800	72.0
For the three months ended June 30, 2020	179,113	△16.5	12,588	△25.8	12,447	△26.2	5,696	△47.1

cf. Comprehensive income for the three months ended June 30, 2021 : 16,856 million yen (For the three months ended June 30, 2020 : 11,779 million yen)

	E.P.S. *	Diluted E.P.S.
	Yen	Yen
For the three months ended June 30, 2021	51.05	48.20
For the three months ended June 30, 2020	29.68	28.05

\* E.P.S.: Earnings per share

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2021	1,180,815	439,009	35.3%
As of March 31, 2021	1,036,881	428,257	39.2%

cf. Shareholders' equity as of June 30, 2021 : 417,244 million yen (As of March 31, 2021 : 406,150 million yen)

(Note) In the first quarter of FY2021, the Company confirmed the provisional accounting treatment it had applied concerning business combination during the previous consolidated fiscal year. Therefore, the figures for the previous consolidated fiscal year reflect the confirmed accounting treatment.

## 2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
FY2020	—	25.00	—	25.00	50.00
FY2021	—	—	—	—	—
FY2021 (Outlook)	—	27.50	—	27.50	55.00

Note: Revision of outlook for dividends in the First quarter: No

## 3. Forecast for operating results in the year ending March 31, 2022 (FY2021)

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		E.P.S.
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2021 annual	900,000	7.6	60,000	9.2	60,000	11.8	35,000	—	177.84

Note: Revision of outlook for FY2021 consolidated operating results in the First quarter: Yes

\* For the forecast for operating results in the year ending March 31, 2022 (FY2021), please refer to the "Flash Report - Results of FY2021 1Q & Outlook for FY2021 -" announced today.

#### **4. Appropriate Use of Forecasts and Other Information and Other Matters**

(1) Cautionary statement on forward-looking statements

All forecasts in this document are based on management's assumptions in light of information currently available and involve certain risks and uncertainties. Actual results could differ materially from these forecasts.

# 1. Financial Statements

(For the three months ended June 30, 2021)

## ( 1 ) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
<b>&lt; Assets &gt;</b>		
<b>Current assets</b>		
Cash and deposits	170,185	138,591
Notes and accounts receivable - trade, and contract assets	181,020	180,625
Merchandise and finished goods	89,693	98,414
Work in process	10,442	10,521
Raw materials and supplies	40,909	37,640
Other current assets	42,665	73,408
Allowance for doubtful accounts	(334)	(315)
<b>Total</b>	<b>534,580</b>	<b>538,884</b>
<b>Noncurrent assets</b>		
<b>Tangible assets</b>		
Buildings and structures, net	65,103	64,596
Machinery and equipment, net	101,020	97,794
Other, net	116,737	125,344
<b>Total</b>	<b>282,860</b>	<b>287,734</b>
<b>Intangible assets</b>		
Goodwill	36,779	35,650
Other	37,450	166,335
<b>Total</b>	<b>74,229</b>	<b>201,985</b>
<b>Investments and other assets</b>		
Investment securities	84,797	91,201
Other	61,618	62,253
Allowance for doubtful accounts	(1,202)	(1,241)
<b>Total</b>	<b>145,212</b>	<b>152,212</b>
<b>Total noncurrent assets</b>	<b>502,302</b>	<b>641,931</b>
<b>Total assets</b>	<b>1,036,881</b>	<b>1,180,815</b>

(For the three months ended June 30, 2021)

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
<b>&lt; Liabilities &gt;</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	92,544	97,082
Short-term loans payable	95,387	219,589
Current portion of long-term loans payable	18,065	18,075
Current portion of bonds	20,010	20,006
Income taxes payable	5,577	2,973
Provision for business structure improvement	2,330	2,330
Other	76,141	79,390
<b>Total</b>	<b>310,054</b>	<b>439,445</b>
<b>Noncurrent liabilities</b>		
Bonds payable	15,000	15,000
Long-term loans payable	218,857	217,925
Net defined benefit liability	37,500	37,981
Asset retirement obligations	1,077	1,078
Other	26,136	30,376
<b>Total</b>	<b>298,570</b>	<b>302,361</b>
<b>Total liabilities</b>	<b>608,624</b>	<b>741,806</b>
<b>&lt;Net assets&gt;</b>		
<b>Shareholders' equity</b>		
Capital stock	71,833	71,833
Capital surplus	103,756	103,756
Retained earnings	229,805	234,342
Treasury stock	(13,047)	(13,042)
<b>Total</b>	<b>392,346</b>	<b>396,889</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	21,840	24,811
Deferred gains or losses on hedges	607	715
Foreign currency translation adjustment	(7,087)	(3,705)
Remeasurements of defined benefit plans	(1,557)	(1,466)
<b>Total</b>	<b>13,804</b>	<b>20,355</b>
<b>Subscription rights to shares</b>	<b>899</b>	<b>891</b>
<b>Non-controlling interests</b>	<b>21,209</b>	<b>20,874</b>
<b>Total net assets</b>	<b>428,257</b>	<b>439,009</b>
<b>Total liabilities and net assets</b>	<b>1,036,881</b>	<b>1,180,815</b>

(For the three months ended June 30, 2021)

**( 2 ) Consolidated Statements of Income**

(Millions of yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
<b>Net sales</b>	<b>179,113</b>	<b>225,889</b>
Cost of sales	119,438	155,032
<b>Gross profit</b>	<b>59,675</b>	<b>70,857</b>
Selling, general and administrative expenses	47,087	53,603
<b>Operating income</b>	<b>12,588</b>	<b>17,254</b>
Non-operating income		
Interest income	204	114
Dividends income	462	431
Equity in earnings of affiliates	180	1,540
Gain on investments in partnerships	238	—
Gain on valuation of derivatives	—	158
Miscellaneous income	185	325
Total	1,268	2,568
Non-operating expenses		
Interest expenses	764	731
Loss on investments in partnerships	30	73
Foreign exchange losses	21	18
Loss on valuation of derivatives	232	219
Miscellaneous loss	363	332
Total	1,409	1,373
<b>Ordinary income</b>	<b>12,447</b>	<b>18,448</b>
Extraordinary income		
Gain on sales of noncurrent assets	37	14
Gain on sales of investment securities	15	—
Other	0	40
Total	53	54
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	200	471
Loss on valuation of investment securities	863	—
Impairment loss	—	1,478
Loss related to COVID-19	249	—
Other	165	38
Total	1,478	1,988
<b>Income before income taxes</b>	<b>11,022</b>	<b>16,514</b>
Income taxes	4,801	6,054
<b>Profit</b>	<b>6,221</b>	<b>10,460</b>
Profit attributable to non-controlling interests	525	660
<b>Profit attributable to owners of parent</b>	<b>5,696</b>	<b>9,800</b>

(For the three months ended June 30, 2021)

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
<b>Profit</b>	<b>6,221</b>	<b>10,460</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,221	2,819
Deferred gains or losses on hedges	487	108
Foreign currency translation adjustment	1,104	2,872
Remeasurements of defined benefit plans, net of tax	85	62
Share of other comprehensive income of associates accounted for using equity method	(339)	535
<b>Total</b>	<b>5,558</b>	<b>6,396</b>
<b>Comprehensive income</b>	<b>11,779</b>	<b>16,856</b>
Comprehensive income attributable to :		
Owners of parent	10,944	16,351
Non-controlling interests	835	505

## 2. Segment and Other Information

### Notes Pertaining to Going Concern Assumption:

None

### Notes on Significant Changes in Shareholders' Equity:

None

### Adoption of special quarterly accounting methods:

Certain of the consolidated subsidiaries of the Company have adopted a method for estimating in practical terms the effective tax rate for the fiscal year, including for the three months ended June 30, 2021, following the application of tax effect accounting to income before income taxes, and multiplying this by quarterly income before income taxes to estimate quarterly tax expense.

### Changes in Accounting Policies:

(Application of the Accounting Standard for Revenue Recognition and Related Guidance)

The Accounting Standard for Revenue Recognition (Statement No. 29 of the Accounting Standards Board of Japan [ASBJ], issued on March 31, 2020) and related ASBJ guidance have been applied to the consolidated financial results of the Company and its consolidated subsidiaries in Japan since the beginning of the first quarter of FY2021. Accordingly, revenue is recognized through an approach that comprises the following five steps:

Step 1: Specify each contract with a customer

Step 2: Identify the responsibilities to be fulfilled under the contract

Step 3: Calculate the trading price of the contract

Step 4: Allocate the trading price among the respective responsibilities under the contract

Step 5: Recognize revenue at the time of or through the process of fulfilling the responsibilities

In the wake of the application of the Accounting Standard for Revenue Recognition, the Company has added to or subtracted from its retained earnings the total amount of effects of the retroactive application of the new accounting policy to consolidated financial results prior to the current fiscal year, following the procedure defined in the proviso in Section 84 of the Accounting Standard for Revenue Recognition. The Company has adopted the new policy beginning with the amount of retained earnings as of the start of the current fiscal year.

As a result, net sales for the first quarter of FY2021 decreased by 3,452 million yen. This change in the accounting policy will have only a minor impact on the amount of retained earnings as of the start of the current fiscal year and per share data.

Due to the application of the Accounting Standard for Revenue Recognition, the item "Notes and accounts receivable-trade" in the "Current assets" category in the consolidated balance sheets has been included in the item "Notes and accounts receivable-trade, and contract assets" since the first quarter of FY2021.

(Application of the Accounting Standard for Fair Value Measurement and Related Standards and Guidance)

The Accounting Standard for Fair Value Measurement (Statement No. 30 of the Accounting Standards Board of Japan [ASBJ], issued on July 4, 2019) and related ASBJ standards and guidance have applied to the Company's consolidated financial results since the beginning of the first quarter of FY2021. The Company will continue to carry out a new accounting policy that is provided for by the Accounting Standard for Fair Value Measurement and related standards and guidance, following the transitional procedure defined in Section 19 of the Accounting Standard for Fair Value Measurement and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, revised on July 4, 2019).

This change in the accounting policy will have no impact on the Company's consolidated financial statements.

## Segment information

( 1 ) Results of the First quarter of FY2020 (April 1, 2020 through June 30, 2020)

1 ) Segment sales and operating income

(Millions of yen)

	Reportable operating segments					Others*	Total
	Materials	Healthcare	Fibers & Products Converting	IT	Subtotal		
Sales							
1) External customers	53,884	36,160	71,633	13,522	175,199	3,914	179,113
2) Intersegment transactions or transfers	2,313	—	752	1,292	4,357	785	5,141
Net sales	56,197	36,160	72,385	14,815	179,556	4,699	184,254
Segment income (loss)	(1,408)	8,680	5,095	2,029	14,396	(436)	13,960

\* "Others," which includes the Engineering business, does not qualify as a reportable operating segment.

2 ) Difference between operating income and sum of operating income (loss) in reportable operating segments

(Adjustment)	(Millions of yen)
Operating income (loss)	Amount
Total reportable operating segments	14,396
Others segment	(436)
Elimination of intersegment transactions	75
Corporate expenses*	(1,447)
Operating income	12,588

\* Corporate expenses are expenses that cannot be allocated to individual reportable operating segments and are primarily related to head office administration.

3 ) Loss on impairment and goodwill by reportable segments

No



(2) Results of the First quarter of FY2021 (April 1, 2021 through June 30, 2021)

1) Segment sales and operating income

(Millions of yen)

	Reportable operating segments					Others*	Total
	Materials	Healthcare	Fibers & Products Converting	IT	Subtotal		
Sales							
1) External customers	95,776	45,853	65,501	13,550	220,680	5,209	225,889
2) Intersegment transactions or transfers	3,438	11	696	1,470	5,615	818	6,433
Net sales	99,214	45,864	66,198	15,020	226,296	6,026	232,322
Segment income (loss)	2,119	13,220	2,015	2,108	19,462	(310)	19,152

\* "Others," which includes the regenerative medicine business and the Engineering business, does not qualify as a reportable operating segment.

2) Segment assets for reportable segments

The asset value of the Healthcare segment increased by 157,708 million yen from the end of the previous consolidated fiscal year. This increase is explained mainly by the completion of sales right transfer during the first quarter of FY2021 based on the contract that Teijin Pharma Limited, one of the Company's subsidiaries, and Takeda Pharmaceutical Co., Ltd. concluded for asset transfer concerning type-2 diabetes treatments on February 26, 2021.

3) Difference between operating income and sum of operating income (loss) in reportable operating segments

(Adjustment)	(Millions of yen)
Operating income (loss)	Amount
Total reportable operating segments	19,462
Others segment	(310)
Elimination of intersegment transactions	(298)
Corporate expenses*	(1,600)
Operating income	17,254

\* Corporate expenses are expenses that cannot be allocated to individual reportable operating segments and are primarily related to office administration.

4) Loss on impairment and goodwill by reportable segments

Significant impairment of noncurrent assets

In the Materials Business Field, the Company recorded an impairment loss of 1,051 million yen in the three months ended June 30, 2021.

Significant changes in goodwill

During the previous consolidated fiscal year, the Company applied a provisional accounting treatment concerning its acquisition of an additional equity interest in CSP Victall (Tangshan) Structural Composites Co., Ltd. and its inclusion of the latter company as a subsidiary. The provisional accounting treatment was confirmed in the first quarter of FY2021.

Consequently, the amount of goodwill in the Materials segment decreased. Details are given in "Financial Statements: (3) Notes on the Quarterly Financial Statements (Business Combinations)."

**Business Combinations:**

(Confirmation of Provisional Accounting Treatment concerning Business Combination)

During the previous consolidated fiscal year, the Company applied a provisional accounting treatment concerning business combination through the acquisition of an additional equity interest in CSP Victall (Tangshan) Structural Composites Co., Ltd. on December 29, 2020. The Company has confirmed the provisional accounting treatment during the first quarter of FY2021.

Due to the confirmation of the provisional accounting treatment, comparison data in the quarterly consolidated financial statements for the first quarter of the current fiscal year reflects a major revision of the initial allocation of the acquisition cost.

As a result of the confirmation of the provisional accounting treatment, the amount of goodwill has changed from a provisional 4,379 million yen to 1,914 million yen, a decrease of 2,464 million yen. The decrease in goodwill resulted from an increase of 556 million yen in tangible noncurrent assets, including machinery and equipment, an increase of 2,344 million yen in technology-related assets as intangible noncurrent assets, and an increase of 435 million yen in deferred tax liabilities.

As of the end of the previous consolidated fiscal year, goodwill decreased by 2,576 million yen, while tangible noncurrent assets, other intangible noncurrent assets, and deferred tax liabilities increased by 569 million yen, 2,462 million yen, and 455 million yen, respectively. The amortization period for goodwill is 10 years, while the amortization period for technology-related assets allocated to intangible noncurrent assets excluding goodwill is 15 years.

**Significant Subsequent Event:**

(Issue of Corporate Bonds)

On July 21, 2021, the Company issued hybrid corporate bonds (subordinated bonds) and domestic unsecured corporate bonds to raise funds for the repayment of loans it obtained on April 1, 2021 to enable Teijin Pharma Limited, one of its subsidiary companies, to take over the Japan sales of type-2 diabetes treatments and related assets from Takeda Pharmaceutical Co., Ltd. as of April 1, 2021. Payment for the bonds was completed on the same day as the issue of the bonds. The overview of the bonds is as follows:

1. Teijin Limited 1st Unsecured Subordinated Bonds with an interest payment deferral clause and optional early redemption conditions

(1) Issue Amount	60,000 Millions of yen
(2) Issue Date	July 21, 2021
(3) Issue Price	100 yen per face value 100 yen
(4) Initial Interest Rate	Until July 21, 2028: 0.750% annually From the day after July 21, 2028: one-year Japanese government bond rate + 1.870%
(5) Maturity	July 21, 2051
(6) Early Redemption	The Company may, at its discretion, redeem the bonds before maturity (i) on any interest payment date on or after July 21, 2028, or (ii) upon the occurrence and continuation of a tax event or an equity credit change event on or after the payment date.
(7) Subordination	The bonds are ranked subordinated to the Company's general debt and senior to the common stock of the Company.

2. Teijin Limited 11th Unsecured Straight Bonds with an inter-bond pari passu clause

(1) Issue Amount	20,000 Millions of yen
(2) Issue Date	July 21, 2021
(3) Issue Price	100 yen per face value 100 yen
(4) Interest Rate	0.001% annually
(5) Maturity and Redemption	Bullet redemption on July 19, 2024

3. Teijin Limited 12th Unsecured Straight Bonds with an inter-bond pari passu clause

(1) Issue Amount	10,000 Millions of yen
(2) Issue Date	July 21, 2021
(3) Issue Price	100 yen per face value 100 yen
(4) Interest Rate	0.120% annually
(5) Maturity and Redemption	Bullet redemption on July 21, 2026

(Disposal of Treasury Shares as “Restricted Stock”)

The Company determined in the resolution of the Board of Directors meeting on July 13, 2021 to dispose of treasury shares as “Restricted Stock” (hereinafter, “the Disposal of Treasury Shares” or the “Disposal” ). The Disposal of Treasury Shares was conducted on August 4, 2021 as follows:

## 1. Overview of the Disposal of Treasury Shares

(1) Payment date	August 4, 2021
(2) Class and number of shares for Disposal	95,921 ordinary shares of the Company
(3) Disposal price	¥1,649 per share
(4) Total value of Disposal	¥158,173,729
(5) Allottees and number thereof, and number of shares for disposal	Directors (excluding the Chairman of the Board, Senior Advisor and Outside Director; hereinafter “Eligible Directors”), 6 persons, 26,138 shares Teijin Group Corporate Officers not concurrently serving as Directors, 21 persons, 49,584 shares Executive Officers of overseas Group companies, 14 persons, 20,199 shares
(6) Other	For the Disposal of Treasury Shares, the Company has submitted a securities registration statement in accordance with the Financial Instruments and Exchange Act.

## 2. Purpose and Reasons for Disposal

Based on introduction of the “Restricted Share-based Remuneration Plan” which was approved by resolution of the 155th Ordinary General Meeting of Shareholders held on June 23, 2021 and by resolution of the Board of Directors Meeting held on the same day, for the purpose of granting incentives to eligible Directors, Teijin Group Corporate Officers who do not concurrently serve as Directors of the Company, and Executive Officers of overseas Group companies toward achievement of the Company’s Medium-Term Management Plan and increasing corporate value over the medium to long term, as well as further aligning shared values with stakeholders, this disposal is being implemented by resolution of the Board of Directors Meeting held on July 13, 2021.