

Consolidated Financial Statements Summary

(For the six months ended September 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)



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Company name : TEIJIN LIMITED (Stock code 3401)

<https://www.teijin.com>

Contact person : Tomoko Torii General Manager,
Investor Relations Department

TEL: +81-(0)3-3506-4395

(Amounts rounded to the nearest million yen)

1. Highlight of the Second quarter of FY2021 (April 1, 2021 through September 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 six months ended September 30, 2021	453,385	15.0	31,461	1.2	32,621	8.0	21,570	34.8
For the six months ended September 30, 2020	394,141	-9.6	31,085	-7.9	30,216	-8.7	15,996	-21.8

cf. Comprehensive income for the six months ended September 30, 2021 : 26,282 million yen (For the six months ended September 30, 2020 : 29,674 million yen)

	E.P.S. *	Diluted E.P.S.
	Yen	Yen
For the six months ended September 30, 2021	112.34	106.08
For the six months ended September 30, 2020	83.34	78.77

* E.P.S.: Earnings per share

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2021	1,168,826	450,589	36.5%
As of March 31, 2021	1,041,131	430,364	39.0%

cf. Shareholders' equity as of September 30, 2021 : 426,109 million yen (As of March 31, 2021 : 406,150 million yen)

Note: In the first and second 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	—	27.50	—	—	—
FY2021 (Outlook)	—	—	—	27.50	55.00

Note: Revision of outlook for dividends in the Second 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	182.24

Note: Revision of outlook for FY2021 consolidated operating results in the Second quarter: No

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

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
< Assets >		
Current assets		
Cash and deposits	170,185	125,527
Notes and accounts receivable - trade, and contract assets	181,020	193,603
Securities	—	10,000
Merchandise and finished goods	89,693	100,769
Work in process	10,442	11,881
Raw materials and supplies	40,909	40,985
Other current assets	42,665	69,311
Allowance for doubtful accounts	(334)	(354)
Total	534,580	551,722
Noncurrent assets		
Tangible assets		
Buildings and structures, net	65,103	63,942
Machinery and equipment, net	101,020	100,304
Other, net	116,737	128,904
Total	282,860	293,150
Intangible assets		
Goodwill	33,903	31,978
Other	44,576	169,013
Total	78,479	200,991
Investments and other assets		
Investment securities	84,797	86,378
Other	61,618	37,810
Allowance for doubtful accounts	(1,202)	(1,224)
Total	145,212	122,964
Total noncurrent assets	506,551	617,104
Total assets	1,041,131	1,168,826

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
< Liabilities >		
Current liabilities		
Notes and accounts payable-trade	92,544	96,364
Short-term loans payable	95,387	118,600
Current portion of long-term loans payable	18,065	5,938
Current portion of bonds	20,010	20,003
Income taxes payable	5,577	4,612
Provision for business structure improvement	2,330	—
Other	76,141	77,784
Total	310,054	323,301
Noncurrent liabilities		
Bonds payable	15,000	105,000
Long-term loans payable	218,857	219,133
Net defined benefit liability	37,500	37,151
Asset retirement obligations	1,077	1,067
Other	28,279	32,585
Total	300,713	394,936
Total liabilities	610,767	718,237
<Net assets>		
Shareholders' equity		
Capital stock	71,833	71,833
Capital surplus	103,756	103,754
Retained earnings	229,805	245,968
Treasury stock	(13,047)	(12,797)
Total	392,346	408,758
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,840	22,941
Deferred gains or losses on hedges	607	144
Foreign currency translation adjustment	(7,087)	(4,365)
Remeasurements of defined benefit plans	(1,557)	(1,368)
Total	13,804	17,351
Subscription rights to shares	899	866
Non-controlling interests	23,316	23,614
Total net assets	430,364	450,589
Total liabilities and net assets	1,041,131	1,168,826

(For the six months ended September 30, 2021)

(2) Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Net sales	394,141	453,385
Cost of sales	267,879	313,768
Gross profit	126,261	139,617
Selling, general and administrative expenses	95,176	108,155
Operating income	31,085	31,461
Non-operating income		
Interest income	385	222
Dividends income	676	639
Equity in earnings of affiliates	1,348	2,936
Gain on investments in partnerships	169	—
Gain on valuation of derivatives	—	796
Miscellaneous income	776	487
Total	3,354	5,080
Non-operating expenses		
Interest expenses	1,455	1,517
Loss on investments in partnerships	—	444
Foreign exchange losses	246	391
Loss on valuation of derivatives	1,412	247
Miscellaneous loss	1,110	1,322
Total	4,223	3,921
Ordinary income	30,216	32,621
Extraordinary income		
Gain on sales of noncurrent assets	156	47
Gain on sales of investment securities	260	3,975
Other	0	165
Total	417	4,188
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	478	910
Loss on valuation of investment securities	1,366	—
Impairment loss	445	1,649
Business structure improvement expenses	119	106
Loss related to COVID-19	267	—
Other	265	77
Total	2,941	2,741
Income before income taxes	27,692	34,067
Income taxes	10,462	11,178
Profit	17,229	22,890
Profit attributable to non-controlling interests	1,233	1,319
Profit attributable to owners of parent	15,996	21,570

(For the six months ended September 30, 2021)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Profit	17,229	22,890
Other comprehensive income		
Valuation difference on available-for-sale securities	8,122	951
Deferred gains or losses on hedges	1,528	(464)
Foreign currency translation adjustment	2,924	2,112
Remeasurements of defined benefit plans, net of tax	191	157
Share of other comprehensive income of associates accounted for using equity method	(321)	637
Total	12,444	3,393
Comprehensive income	29,674	26,282
Comprehensive income attributable to :		
Owners of parent	27,791	25,118
Non-controlling interests	1,882	1,164

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Cash flows from operating activities		
Income before income taxes	27,692	34,067
Depreciation and amortization	25,661	33,601
Impairment loss	445	1,649
Increase (decrease) in net defined benefit liability	120	(35)
Decrease (increase) in net defined benefit asset	(163)	22,822
Increase (decrease) in accounts payable-other	(1,024)	1,629
Increase (decrease) in provision for business structure improvement	(966)	(2,330)
Interest and dividends income	(1,060)	(861)
Interest expenses	1,455	1,517
Equity in (earnings) losses of affiliates	(1,348)	(2,936)
Loss (gain) on sales of investment securities	(260)	(3,975)
Loss (gain) on valuation of investment securities	1,366	—
Decrease (increase) in notes and accounts receivable-trade	1,636	(11,530)
Decrease (increase) in inventories	(7,041)	(12,472)
Increase (decrease) in notes and accounts payable-trade	(8,410)	3,968
Other, net	(1,583)	(23,410)
Subtotal	36,519	41,705
Interest and dividends income received	3,590	2,355
Interest expenses paid	(1,412)	(1,428)
Income taxes paid	(6,786)	(8,767)
Net cash and cash equivalents provided by operating activities	31,910	33,865
Cash flows from investing activities		
Purchase of property, plant and equipment	(28,939)	(31,368)
Proceeds from sales of property, plant and equipment	490	119
Purchase of intangible assets	(1,829)	(136,537)
Purchase of investment securities	(1,749)	(1,991)
Proceeds from sales of investment securities	463	6,757
Net decrease (increase) in short-term loans receivable	(291)	109
Other, net	(1,754)	(643)
Net cash and cash equivalents used in investing activities	(33,609)	(163,554)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,052	23,818
Proceeds from issuance of bonds	—	90,000
Proceeds from long-term loans payable	25,046	1,034
Repayment of long-term loans payable	(22,303)	(13,534)
Purchase of treasury shares	(3)	(4)
Cash dividends paid	(5,758)	(4,799)
Cash dividends paid to non-controlling shareholders	(523)	(654)
Other, net	(764)	(1,453)
Net cash and cash equivalents provided by financing activities	1,747	94,408
Effect of exchange rate changes on cash and cash equivalents	1,375	622
Net increase (decrease) in cash and cash equivalents	1,423	(34,659)
Cash and cash equivalents at beginning of period	156,290	166,455
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	5
Cash and cash equivalents at end of period	157,713	131,801

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 six months ended September 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 six months ended September 30, 2021 decreased by 7,355 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 Second quarter of FY2020 (April 1, 2020 through September 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	126,332	73,037	158,108	28,560	386,036	8,104	394,141
2) Intersegment transactions or transfers	4,434	9	1,630	3,173	9,245	1,474	10,720
Net sales	130,766	73,045	159,738	31,732	395,282	9,579	404,860
Segment income (loss)	(546)	16,498	12,697	4,770	33,419	(322)	33,096

* "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	33,419
Others segment	(322)
Elimination of intersegment transactions	427
Corporate expenses*	(2,438)
Operating income	31,085

* 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

This item has been omitted because it is of low significance.

(2) Results of the Second quarter of FY2021 (April 1, 2021 through September 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	190,820	90,716	133,513	27,293	442,341	11,044	453,385
2) Intersegment transactions or transfers	6,772	14	1,473	3,248	11,507	1,869	13,376
Net sales	197,593	90,730	134,986	30,540	453,849	12,912	466,761
Segment income (loss)	3,278	23,987	3,575	4,782	35,622	(953)	34,669

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

2) Assets of each reportable segment

The asset value of the Healthcare segment increased by 155,554 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	35,622
Others segment	(953)
Elimination of intersegment transactions	(484)
Corporate expenses*	(2,724)
Operating income	31,461

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

4) Loss on impairment and goodwill by reportable segments

Significant impairment of noncurrent assets

In the Materials segment, the Company recorded an impairment loss of 1,231 million yen in the six months ended September 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. (currently named Teijin Automotive Technologies (Tangshan) 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.

During the previous consolidated fiscal year, the Company applied a provisional accounting treatment concerning its acquisition of shares in Japan Tissue Engineering Co., Ltd. and its inclusion of the latter company as a subsidiary. The provisional accounting treatment was confirmed in the second quarter of FY2021. Consequently, the amount of goodwill in the Others segment decreased.

Details are given in "Financial Statements: 2 Segment and Other Information (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. (currently, Teijin Automotive Technologies (Tangshan) 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 second 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.

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.

During the previous consolidated fiscal year, the Company applied a provisional accounting treatment concerning business combination through its acquisition of shares of stock in Japan Tissue Engineering Co., Ltd. on March 9, 2021. The Company has confirmed the provisional accounting treatment during the second quarter of FY2021.

Due to the confirmation of the provisional accounting treatment, comparison data in the quarterly consolidated financial statements for the second 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 15,085 million yen to 12,209 million yen, a decrease of 2,876 million yen. The decrease in goodwill resulted from an increase of 7,126 million yen in technology-related and other assets as intangible noncurrent assets, an increase of 2,143 million yen in deferred tax liabilities, and an increase of 2,107 million yen in non-controlling interests.

The amortization period for goodwill is 15 years, while technology-related and other assets allocated to intangible noncurrent assets excluding goodwill are amortized over the period during which they continue to affect the calculation (mainly over the period of 16 years).

As a result, at the end of the previous consolidated fiscal year, goodwill decreased by 5,452 million yen, while tangible noncurrent assets, other intangible noncurrent assets, deferred tax liabilities, and non-controlling interests increased by 569 million yen, 9,588 million yen, 2,597 million yen, and 2,107 million yen, respectively.