

Consolidated Financial Statements Summary

(For the nine months ended December 31, 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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(Amounts rounded to the nearest million yen)

1. Highlight of the Third quarter of FY2021 (April 1, 2021 through December 31, 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 nine months ended December 31, 2021	687,005	12.7	38,170	-15.6	41,321	-3.6	25,838	-3.7
For the nine months ended December 31, 2020	609,741	-5.8	45,243	-6.2	42,857	-9.7	26,822	-11.1

cf. Comprehensive income for the nine months ended December 31, 2021 : 35,953 million yen (For the nine months ended December 31, 2020 : 46,200 million yen)

	E.P.S. *	Diluted E.P.S.
	Yen	Yen
For the nine months ended December 31, 2021	134.55	127.53
For the nine months ended December 31, 2020	139.73	132.05

* E.P.S.: Earnings per share

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2021	1,175,748	454,806	36.6%
As of March 31, 2021	1,041,131	430,364	39.0%

cf. Shareholders' equity as of December 31, 2021 : 430,164 million yen (As of March 31, 2021 : 406,150 million yen)

Note: In the nine months ended December 31, 2021, 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 Third 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	930,000	11.2	50,000	-9.0	53,000	-1.2	32,000	166.62

Note: Revision of outlook for FY2021 consolidated operating results in the Third 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 3Q & 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 nine months ended December 31, 2021)

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
< Assets >		
Current assets		
Cash and deposits	170,185	130,393
Notes and accounts receivable - trade, and contract assets	181,020	193,849
Merchandise and finished goods	89,693	102,595
Work in process	10,442	12,589
Raw materials and supplies	40,909	43,956
Other current assets	42,665	70,680
Allowance for doubtful accounts	(334)	(352)
Total	534,580	553,711
Noncurrent assets		
Tangible assets		
Buildings and structures, net	65,103	71,524
Machinery and equipment, net	101,020	106,807
Other, net	116,737	121,956
Total	282,860	300,287
Intangible assets		
Goodwill	33,903	31,545
Other	44,576	165,128
Total	78,479	196,673
Investments and other assets		
Investment securities	84,797	86,358
Other	61,618	39,900
Allowance for doubtful accounts	(1,202)	(1,181)
Total	145,212	125,078
Total noncurrent assets	506,551	622,037
Total assets	1,041,131	1,175,748

(For the nine months ended December 31, 2021)

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
< Liabilities >		
Current liabilities		
Notes and accounts payable-trade	92,544	103,229
Short-term loans payable	95,387	127,056
Current portion of long-term loans payable	18,065	5,986
Current portion of bonds	20,010	—
Income taxes payable	5,577	3,820
Provision for business structure improvement	2,330	—
Other	76,141	80,261
Total	310,054	320,352
Noncurrent liabilities		
Bonds payable	15,000	105,000
Long-term loans payable	218,857	220,827
Net defined benefit liability	37,500	37,537
Asset retirement obligations	1,077	1,265
Other	28,279	35,962
Total	300,713	400,590
Total liabilities	610,767	720,942
<Net assets>		
Shareholders' equity		
Capital stock	71,833	71,833
Capital surplus	103,756	103,755
Retained earnings	229,805	245,027
Treasury stock	(13,047)	(12,790)
Total	392,346	407,825
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,840	22,738
Deferred gains or losses on hedges	607	(281)
Foreign currency translation adjustment	(7,087)	1,137
Remeasurements of defined benefit plans	(1,557)	(1,255)
Total	13,804	22,339
Subscription rights to shares	899	857
Non-controlling interests	23,316	23,785
Total net assets	430,364	454,806
Total liabilities and net assets	1,041,131	1,175,748

(For the nine months ended December 31, 2021)

(2) Consolidated Statements of Income

(Millions of yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Net sales	609,741	687,005
Cost of sales	420,072	483,622
Gross profit	189,669	203,383
Selling, general and administrative expenses	144,426	165,213
Operating income	45,243	38,170
Non-operating income		
Interest income	522	345
Dividends income	1,024	986
Equity in earnings of affiliates	1,856	4,340
Gain on investments in partnerships	115	—
Gain on valuation of derivatives	308	2,537
Miscellaneous income	951	842
Total	4,778	9,050
Non-operating expenses		
Interest expenses	2,138	2,369
Loss on investments in partnerships	—	16
Foreign exchange losses	1,463	1,371
Loss on valuation of derivatives	1,775	413
Miscellaneous loss	1,788	1,730
Total	7,164	5,899
Ordinary income	42,857	41,321
Extraordinary income		
Gain on sales of noncurrent assets	1,787	51
Gain on sales of investment securities	456	5,332
Gain on step acquisitions	2,009	—
Other	0	197
Total	4,252	5,580
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	740	1,269
Loss on valuation of investment securities	1,465	—
Impairment loss	449	1,886
Business structure improvement expenses	124	108
Loss related to COVID-19	267	—
Other	394	132
Total	3,438	3,395
Income before income taxes	43,672	43,506
Income taxes	14,900	15,666
Profit	28,772	27,840
Profit attributable to non-controlling interests	1,950	2,002
Profit attributable to owners of parent	26,822	25,838

(For the nine months ended December 31, 2021)

(3)(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Profit	28,772	27,840
Other comprehensive income		
Valuation difference on available-for-sale securities	9,825	488
Deferred gains or losses on hedges	2,483	(888)
Foreign currency translation adjustment	4,862	7,478
Remeasurements of defined benefit plans, net of tax	299	271
Share of other comprehensive income of associates accounted for using equity method	(42)	765
Total	17,428	8,113
Comprehensive income	46,200	35,953
Comprehensive income attributable to :		
Owners of parent	43,600	34,373
Non-controlling interests	2,600	1,579

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 nine months ended December 31, 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 nine months ended December 31, 2021 decreased by 11,687 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 Third quarter of FY2020 (April 1, 2020 through December 31, 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	205,961	111,873	237,080	42,273	597,187	12,554	609,741
2) Intersegment transactions or transfers	6,797	11	2,438	4,362	13,608	2,258	15,866
Net sales	212,758	111,883	239,518	46,635	610,794	14,812	625,607
Segment income (loss)	(335)	25,834	16,277	6,909	48,684	(152)	48,532

* "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	48,684
Others segment	(152)
Elimination of intersegment transactions	520
Corporate expenses*	(3,810)
Operating income	45,243

* 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

Significant impairment of noncurrent assets

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

Significant changes in goodwill

In the Materials segment, the Company recorded goodwill of 1,914 million yen in the nine months ended December 31, 2020 due to the acquisition of additional equity interest of CSP Victall (Tangshan) Structural Composites Co., Ltd. and making it a consolidated subsidiary. The amount of goodwill has been determined after reflecting the revision following the confirmation of the provisional accounting treatment concerning the business combination.

(2) Results of the Third quarter of FY2021 (April 1, 2021 through December 31, 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	284,546	139,558	206,878	39,869	670,851	16,154	687,005
2) Intersegment transactions or transfers	9,990	15	2,321	4,888	17,215	2,777	19,992
Net sales	294,537	139,573	209,199	44,756	688,065	18,931	706,997
Segment income (loss)	(4,798)	37,439	4,523	6,843	44,006	(1,270)	42,736

* "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 151,086 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

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	44,006
Others segment	(1,270)
Elimination of intersegment transactions	(408)
Corporate expenses*	(4,158)
Operating income	38,170

* 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 1,348 million yen in the nine months ended December 31, 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 third 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 third 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.