

Consolidated Financial Statements Summary

(For the three months ended June 30, 2022)

English translation from the original Japanese-language document

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



August 8, 2022

Company name : **TEIJIN LIMITED** (Stock code 3401)

<https://www.teijin.com>

Contact person : Tomoya Yoshitomi General Manager,

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

Investor Relations Department

(Amounts rounded to the nearest million yen)

1. Highlight of the First quarter of FY2022 (April 1, 2022 through June 30, 2022)

(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, 2022	243,834	7.9	10,771	-37.6	14,287	-22.6	7,270	-25.8
For the three months ended June 30, 2021	225,889	26.1	17,254	37.1	18,448	48.2	9,800	72.0

cf. Comprehensive income for the three months ended June 30, 2022 : 21,134 million yen (For the three months ended June 30, 2021 : 16,856 million yen)

	E.P.S. *	Diluted E.P.S.
	Yen	Yen
For the three months ended June 30, 2022	37.84	37.77
For the three months ended June 30, 2021	51.05	48.20

* 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, 2022	1,265,256	479,879	36.0%
As of March 31, 2022	1,207,583	464,811	36.4%

cf. Shareholders' equity as of June 30, 2022 : 455,187 million yen (As of March 31, 2022 : 439,579 million yen)

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
FY2021	—	27.50	—	27.50	55.00
FY2022	—	—	—	—	—
FY2022 (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, 2023 (FY2022)

(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
FY2022 annual	1,000,000	8.0	50,000	13.1	52,000	4.6	28,000	20.9	145.74

Note: Revision of outlook for FY2022 consolidated operating results in the First 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

(For the three months ended June 30, 2022)

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
< Assets >		
Current assets		
Cash and deposits	134,480	146,843
Notes and accounts receivable - trade, and contract assets	196,815	195,571
Merchandise and finished goods	103,399	120,207
Work in process	13,680	15,086
Raw materials and supplies	47,541	55,723
Other current assets	76,470	69,837
Allowance for doubtful accounts	(389)	(276)
Total	571,996	602,990
Noncurrent assets		
Tangible assets		
Buildings and structures, net	73,378	76,205
Machinery and equipment, net	116,984	124,723
Other, net	125,151	132,575
Total	315,514	333,503
Intangible assets		
Goodwill	29,920	31,343
Other	160,832	158,954
Total	190,752	190,296
Investments and other assets		
Investment securities	85,014	84,694
Other	45,554	55,316
Allowance for doubtful accounts	(1,247)	(1,543)
Total	129,321	138,466
Total noncurrent assets	635,586	662,266
Total assets	1,207,583	1,265,256

(For the three months ended June 30, 2022)

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
< Liabilities >		
Current liabilities		
Notes and accounts payable-trade	101,183	109,179
Short-term loans payable	110,524	128,515
Current portion of long-term loans payable	39,185	40,464
Income taxes payable	7,186	2,771
Other	93,677	94,293
Total	351,756	375,221
Noncurrent liabilities		
Bonds payable	105,000	105,000
Long-term loans payable	215,972	228,070
Net defined benefit liability	37,076	37,701
Asset retirement obligations	1,257	1,259
Other	31,711	38,126
Total	391,016	410,156
Total liabilities	742,772	785,377
<Net assets>		
Shareholders' equity		
Capital stock	71,833	71,833
Capital surplus	103,757	103,754
Retained earnings	242,332	244,226
Treasury stock	(12,729)	(12,697)
Total	405,192	407,115
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,192	19,517
Deferred gains or losses on hedges	(80)	(952)
Foreign currency translation adjustment	13,549	29,605
Remeasurements of defined benefit plans	(272)	(99)
Total	34,388	48,072
Subscription rights to shares	803	775
Non-controlling interests	24,429	23,916
Total net assets	464,811	479,879
Total liabilities and net assets	1,207,583	1,265,256

(For the three months ended June 30, 2022)

(2) Consolidated Statements of Income

(Millions of yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	225,889	243,834
Cost of sales	155,032	174,922
Gross profit	70,857	68,911
Selling, general and administrative expenses	53,603	58,140
Operating income	17,254	10,771
Non-operating income		
Interest income	114	170
Dividends income	431	548
Equity in earnings of affiliates	1,540	1,233
Gain on valuation of derivatives	158	7,135
Gain on investments in partnerships	—	439
Miscellaneous income	325	235
Total	2,568	9,759
Non-operating expenses		
Interest expenses	731	1,093
Foreign exchange losses	18	4,440
Loss on valuation of derivatives	219	390
Loss on investments in partnerships	73	—
Miscellaneous loss	332	321
Total	1,373	6,243
Ordinary income	18,448	14,287
Extraordinary income		
Gain on sales of noncurrent assets	14	8
Gain on sales of investment securities	—	1,093
Other	40	—
Total	54	1,102
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	471	372
Loss on valuation of investment securities	—	163
Impairment loss	1,478	2
Loss related to COVID-19	—	315
Other	38	48
Total	1,988	900
Income before income taxes	16,514	14,489
Income taxes	6,054	6,742
Profit	10,460	7,747
Profit attributable to non-controlling interests	660	477
Profit attributable to owners of parent	9,800	7,270

(For the three months ended June 30, 2022)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	10,460	7,747
Other comprehensive income		
Valuation difference on available-for-sale securities	2,819	(1,983)
Deferred gains or losses on hedges	108	(871)
Foreign currency translation adjustment	2,872	15,249
Remeasurements of defined benefit plans, net of tax	62	149
Share of other comprehensive income of associates accounted for using equity method	535	843
Total	6,396	13,387
Comprehensive income	16,856	21,134
Comprehensive income attributable to :		
Owners of parent	16,351	20,954
Non-controlling interests	505	179

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, 2022, 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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Implementation Guidance on Accounting Standard for Fair Value Measurement (Guidance No. 31 of the Accounting Standards Board of Japan [ASBJ], issued on June 17, 2021) has applied to the Company's consolidated financial results since the beginning of the first quarter of FY2022. The Company will continue to carry out a new accounting policy that is provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement, following the transitional provision set out in Section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

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

Segment information

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

1) Segment sales and operating income (loss)

(Millions of yen)

	Reportable operating segments					Others*	Total
	Materials	Healthcare	Fibers & Products Converting	IT	Subtotal		
Sales							
1) External customers	95,776	43,983	65,501	13,550	218,810	7,078	225,889
2) Intersegment transactions or transfers	3,438	11	696	1,470	5,615	817	6,432
Net sales	99,214	43,994	66,198	15,020	224,426	7,895	232,321
Segment income (loss)	2,119	13,326	2,015	2,108	19,568	(416)	19,152

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

2) Assets of each reportable segment

The asset value of the Healthcare segment increased by 157,659 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	19,568
Others segment	(416)
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 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 1,051 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.

(2) Results of the First quarter of FY2022 (April 1, 2022 through June 30, 2022)

1) Segment sales and operating income (loss)

(Millions of yen)

	Reportable operating segments					Others*	Total
	Materials	Healthcare	Fibers & Products Converting	IT	Subtotal		
Sales							
1) External customers	107,378	43,626	73,619	12,891	237,514	6,320	243,834
2) Intersegment transactions or transfers	2,905	(1)	528	1,426	4,859	1,055	5,914
Net sales	110,282	43,626	74,148	14,317	242,373	7,375	249,748
Segment income (loss)	(728)	10,793	1,866	1,523	13,454	(1,143)	12,311

* "Others," which includes the Engineering business, the orthopedic implantable devices business and the regenerative medicine 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	13,454
Others segment	(1,143)
Elimination of intersegment transactions	(55)
Corporate expenses*	(1,485)
Operating income	10,771

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

3) Changes in reportable segments

In April 2022, the orthopedic implantable devices business, in which Teijin Nakashima Medical Co., Ltd. and Teijin Medical Technologies Co., Ltd. are mainly engaged, was transferred from the "Healthcare" segment to the "Others" segment. This change was made to further foster and enhance this business, which the Company positions as a new business that will create innovations from a Group-wide and long-term perspective.

In these financial statements, the figures concerning the relevant segments for the previous fiscal year are those recalculated in accordance with the new segment categorization for comparison purposes.

4) Loss on impairment and goodwill by reportable segments

This item has been omitted because of the low significance.

Significant Subsequent Event:

(Disposal of Treasury Shares as “Restricted Stock”)

The Company determined in the resolution of the Board of Directors meeting on June 22, 2022 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 July 20, 2022 as follows:

1. Overview of the Disposal of Treasury Shares

(1) Disposal date	July 20, 2022
(2) Class and number of shares for Disposal	131,100 ordinary shares of the Company
(3) Disposal price	¥1,396 per share
(4) Total value of Disposal	¥183,015,600
(5) Persons eligible for allotment of shares for disposal, the number thereof, and the number of shares for disposal	Directors (excluding the Chairperson of the Board, Senior Advisor and Outside Directors; hereinafter “Eligible Directors”), 5 persons, 27,972 shares Teijin Group Corporate Officers not concurrently serving as Directors, 25 persons, 71,013 shares Executive Officers of overseas Group companies, 14 persons, 32,115 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 was implemented by resolution of the Board of Directors Meeting held on June 22, 2022.