

Consolidated Financial Statements Summary

(For the six months ended September 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)



November 7, 2022

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 Investor Relations Department

(Amounts rounded to the nearest million yen)

1. Highlight of the Second quarter of FY2022 (April 1, 2022 through September 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 six months ended September 30, 2022	510,453	12.6	14,231	-54.8	19,986	-38.7	7,575	-64.9
For the six months ended September 30, 2021	453,385	15.0	31,461	1.2	32,621	8.0	21,570	34.8

cf. Comprehensive income for the six months ended September 30, 2022 : 23,956 million yen (For the six months ended September 30, 2021 : 26,282 million yen)

	E.P.S. *	Diluted E.P.S.
	Yen	Yen
For the six months ended September 30, 2022	39.41	39.34
For the six months ended September 30, 2021	112.34	106.08

* 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, 2022	1,305,090	482,854	35.1%
As of March 31, 2022	1,207,583	464,811	36.4%

cf. Shareholders' equity as of September 30, 2022 : 457,469 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	—	27.50	—	—	—
FY2022 (Outlook)	—	—	—	12.50	40.00

Note: Revision of outlook for dividends in the Second quarter: Yes

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	1,050,000	13.4	25,000	-43.4	29,000	-41.6	16,000	-30.9	83.23

Note: Revision of outlook for FY2022 consolidated operating results in the Second quarter: Yes

* For the forecast for operating results in the year ending March 31, 2023 (FY2022), please refer to the "Notice Regarding the Revision of Financial Forecasts and the Dividend Forecast" and "Flash Report - Results of FY2022 2Q & Outlook for FY2022 -" 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 six months ended September 30, 2022)

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
< Assets >		
Current assets		
Cash and deposits	134,480	159,082
Notes and accounts receivable - trade, and contract assets	196,815	197,858
Merchandise and finished goods	103,399	128,009
Work in process	13,680	15,918
Raw materials and supplies	47,541	58,754
Other current assets	76,470	73,729
Allowance for doubtful accounts	(389)	(260)
Total	571,996	633,089
Noncurrent assets		
Tangible assets		
Buildings and structures, net	73,378	78,576
Machinery and equipment, net	116,984	125,082
Other, net	125,151	135,737
Total	315,514	339,396
Intangible assets		
Goodwill	29,920	31,449
Other	160,832	155,624
Total	190,752	187,073
Investments and other assets		
Investment securities	85,014	87,108
Other	45,554	59,984
Allowance for doubtful accounts	(1,247)	(1,558)
Total	129,321	145,533
Total noncurrent assets	635,586	672,002
Total assets	1,207,583	1,305,090

(For the six months ended September 30, 2022)

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
< Liabilities >		
Current liabilities		
Notes and accounts payable-trade	101,183	112,304
Short-term loans payable	110,524	148,471
Current portion of long-term loans payable	39,185	48,319
Income taxes payable	7,186	4,906
Other	93,677	96,314
Total	351,756	410,314
Noncurrent liabilities		
Bonds payable	105,000	105,000
Long-term loans payable	215,972	227,441
Net defined benefit liability	37,076	37,678
Asset retirement obligations	1,257	1,261
Other	31,711	40,542
Total	391,016	411,922
Total liabilities	742,772	822,236
<Net assets>		
Shareholders' equity		
Capital stock	71,833	71,833
Capital surplus	103,757	103,755
Retained earnings	242,332	244,413
Treasury stock	(12,729)	(12,353)
Total	405,192	407,648
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,192	20,364
Deferred gains or losses on hedges	(80)	(3,275)
Foreign currency translation adjustment	13,549	32,638
Remeasurements of defined benefit plans	(272)	94
Total	34,388	49,821
Subscription rights to shares	803	727
Non-controlling interests	24,429	24,658
Total net assets	464,811	482,854
Total liabilities and net assets	1,207,583	1,305,090

(For the six months ended September 30, 2022)

(2) Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	453,385	510,453
Cost of sales	313,768	378,910
Gross profit	139,617	131,542
Selling, general and administrative expenses	108,155	117,312
Operating income	31,461	14,231
Non-operating income		
Interest income	222	453
Dividends income	639	771
Equity in earnings of affiliates	2,936	2,555
Gain on valuation of derivatives	796	11,414
Gain on investments in partnerships	—	631
Miscellaneous income	487	375
Total	5,080	16,200
Non-operating expenses		
Interest expenses	1,517	2,736
Foreign exchange losses	391	6,642
Loss on valuation of derivatives	247	457
Loss on investments in partnerships	444	—
Miscellaneous loss	1,322	610
Total	3,921	10,445
Ordinary income	32,621	19,986
Extraordinary income		
Gain on sales of noncurrent assets	47	14
Gain on sales of investment securities	3,975	1,249
Other	165	0
Total	4,188	1,263
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	910	650
Loss on valuation of investment securities	—	282
Impairment loss	1,649	140
Business structure improvement expenses	106	24
Loss related to COVID-19	—	319
Other	77	72
Total	2,741	1,487
Income before income taxes	34,067	19,762
Income taxes	11,178	11,015
Profit	22,890	8,747
Profit attributable to non-controlling interests	1,319	1,172
Profit attributable to owners of parent	21,570	7,575

(For the six months ended September 30, 2022)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	22,890	8,747
Other comprehensive income		
Valuation difference on available-for-sale securities	951	(1,041)
Deferred gains or losses on hedges	(464)	(3,195)
Foreign currency translation adjustment	2,112	17,874
Remeasurements of defined benefit plans, net of tax	157	319
Share of other comprehensive income of associates accounted for using equity method	637	1,253
Total	3,393	15,210
Comprehensive income	26,282	23,956
Comprehensive income attributable to :		
Owners of parent	25,118	23,008
Non-controlling interests	1,164	948

(For the six months ended September 30, 2022)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Income before income taxes	34,067	19,762
Depreciation and amortization	33,601	37,229
Impairment loss	1,649	140
Increase (decrease) in net defined benefit liability	(35)	485
Decrease (increase) in net defined benefit asset	22,822	(27)
Increase (decrease) in accounts payable-other	1,629	(2,622)
Increase (decrease) in provision for business structure improvement	(2,330)	—
Interest and dividends income	(861)	(1,224)
Interest expenses	1,517	2,736
Equity in (earnings) losses of affiliates	(2,936)	(2,555)
Loss (gain) on sales of investment securities	(3,975)	(1,247)
Loss (gain) on valuation of investment securities	—	282
Decrease (increase) in notes and accounts receivable-trade	(11,530)	9,872
Decrease (increase) in inventories	(12,472)	(29,475)
Increase (decrease) in notes and accounts payable-trade	3,968	2,435
Other, net	(23,410)	5,817
Subtotal	41,705	41,609
Interest and dividends income received	2,355	3,906
Interest expenses paid	(1,428)	(2,717)
Income taxes paid	(8,767)	(10,665)
Net cash and cash equivalents provided by operating activities	33,865	32,132
Cash flows from investing activities		
Purchase of property, plant and equipment	(31,368)	(26,736)
Proceeds from sales of property, plant and equipment	119	50
Purchase of intangible assets	(136,537)	(1,364)
Purchase of investment securities	(1,991)	(1,212)
Proceeds from sales of investment securities	6,757	1,825
Net decrease (increase) in short-term loans receivable	109	(512)
Other, net	(643)	(1,866)
Net cash and cash equivalents used in investing activities	(163,554)	(29,815)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	23,818	26,853
Proceeds from issuance of bonds	90,000	—
Proceeds from long-term loans payable	1,034	—
Repayment of long-term loans payable	(13,534)	(1,643)
Purchase of treasury shares	(4)	(2)
Cash dividends paid	(4,799)	(5,283)
Cash dividends paid to non-controlling shareholders	(654)	(901)
Other, net	(1,453)	(721)
Net cash and cash equivalents provided by financing activities	94,408	18,303
Effect of exchange rate changes on cash and cash equivalents	622	3,532
Net increase (decrease) in cash and cash equivalents	(34,659)	24,153
Cash and cash equivalents at beginning of period	166,455	130,696
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	428
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	5	—
Cash and cash equivalents at end of period	131,801	155,278

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, 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 Second quarter of FY2021 (April 1, 2021 through September 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	190,820	86,940	133,513	27,293	438,565	14,820	453,385
2) Intersegment transactions or transfers	6,772	14	1,473	3,248	11,507	1,867	13,374
Net sales	197,593	86,953	134,986	30,540	450,072	16,687	466,759
Segment income (loss)	3,278	24,192	3,575	4,782	35,827	(1,158)	34,669

* "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 155,455 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	35,827
Others segment	(1,158)
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.

(2) Results of the Second quarter of FY2022 (April 1, 2022 through September 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	232,558	78,728	158,425	27,254	496,965	13,487	510,453
2) Intersegment transactions or transfers	5,459	2	1,086	3,230	9,778	2,167	11,945
Net sales	238,017	78,731	159,511	30,485	506,744	15,654	522,398
Segment income (loss)	(4,450)	14,650	5,282	3,476	18,959	(1,940)	17,019

* "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	18,959
Others segment	(1,940)
Elimination of intersegment transactions	(25)
Corporate expenses*	(2,763)
Operating income	14,231

* 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 the first quarter of FY2022, 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.