

Consolidated Financial Statements Summary

(For the nine months ended December 31, 2022)

English translation from the original Japanese-language document

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



February 8, 2023

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(Amounts rounded to the nearest million yen)

1. Highlight of the Third quarter of FY2022 (April 1, 2022 through December 31, 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 nine months ended December 31, 2022	765,099	11.4	14,834	-61.1	17,456	-57.8	(7,053)	—
For the nine months ended December 31, 2021	687,005	12.7	38,170	-15.6	41,321	-3.6	25,838	-3.7

cf. Comprehensive income for the nine months ended December 31, 2022 : (184) million yen (For the nine months ended December 31, 2021 : 35,953 million yen)

	E.P.S. *	Diluted E.P.S.
	Yen	Yen
For the nine months ended December 31, 2022	(36.69)	-
For the nine months ended December 31, 2021	134.55	127.53

* 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, 2022	1,239,015	452,742	34.5%
As of March 31, 2022	1,207,583	464,811	36.4%

cf. Shareholders' equity as of December 31, 2022 : 427,167 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 Third 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	1,030,000	11.2	10,000	-77.4	12,000	-75.9	(18,000)	—	(93.63)

Note: Revision of outlook for FY2022 consolidated operating results in the Third 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 Recording of Extraordinary Losses in Consolidated and Non-consolidated Accounts" and "Flash Report - Results of FY2022 3Q & 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 nine months ended December 31, 2022)

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
< Assets >		
Current assets		
Cash and deposits	134,480	148,909
Notes and accounts receivable - trade, and contract assets	196,815	182,780
Merchandise and finished goods	103,399	128,565
Work in process	13,680	15,582
Raw materials and supplies	47,541	57,969
Other current assets	76,470	75,483
Allowance for doubtful accounts	(389)	(479)
Total	571,996	608,810
Noncurrent assets		
Tangible assets		
Buildings and structures, net	73,378	75,432
Machinery and equipment, net	116,984	119,960
Other, net	125,151	135,503
Total	315,514	330,894
Intangible assets		
Goodwill	29,920	14,360
Other	160,832	149,693
Total	190,752	164,053
Investments and other assets		
Investment securities	85,014	84,437
Other	45,554	52,157
Allowance for doubtful accounts	(1,247)	(1,336)
Total	129,321	135,258
Total noncurrent assets	635,586	630,205
Total assets	1,207,583	1,239,015

(For the nine months ended December 31, 2022)

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
< Liabilities >		
Current liabilities		
Notes and accounts payable-trade	101,183	109,400
Short-term loans payable	110,524	147,677
Current portion of long-term loans payable	39,185	38,961
Income taxes payable	7,186	3,312
Other	93,677	90,937
Total	351,756	390,286
Noncurrent liabilities		
Bonds payable	105,000	105,000
Long-term loans payable	215,972	217,180
Net defined benefit liability	37,076	37,900
Asset retirement obligations	1,257	1,279
Other	31,711	34,629
Total	391,016	395,987
Total liabilities	742,772	786,273
<Net assets>		
Shareholders' equity		
Capital stock	71,833	71,833
Capital surplus	103,757	103,159
Retained earnings	242,332	224,496
Treasury stock	(12,729)	(12,348)
Total	405,192	387,140
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,192	17,821
Deferred gains or losses on hedges	(80)	(343)
Foreign currency translation adjustment	13,549	22,397
Remeasurements of defined benefit plans	(272)	152
Total	34,388	40,028
Subscription rights to shares	803	721
Non-controlling interests	24,429	24,854
Total net assets	464,811	452,742
Total liabilities and net assets	1,207,583	1,239,015

(For the nine months ended December 31, 2022)

(2) Consolidated Statements of Income

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	687,005	765,099
Cost of sales	483,622	575,721
Gross profit	203,383	189,378
Selling, general and administrative expenses	165,213	174,544
Operating income	38,170	14,834
Non-operating income		
Interest income	345	807
Dividends income	986	1,128
Equity in earnings of affiliates	4,340	3,889
Gain on valuation of derivatives	2,537	7,558
Gain on investments in partnerships	—	83
Miscellaneous income	842	569
Total	9,050	14,033
Non-operating expenses		
Interest expenses	2,369	5,486
Foreign exchange losses	1,371	4,920
Loss on valuation of derivatives	413	27
Loss on investments in partnerships	16	—
Miscellaneous loss	1,730	978
Total	5,899	11,411
Ordinary income	41,321	17,456
Extraordinary income		
Gain on sales of noncurrent assets	51	5,079
Gain on sales of investment securities	5,332	5,434
Other	197	199
Total	5,580	10,712
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,269	985
Loss on valuation of investment securities	—	1,497
Impairment loss	1,886	15,877
Business structure improvement expenses	108	24
Loss related to COVID-19	—	319
Other	132	339
Total	3,395	19,041
Income before income taxes	43,506	9,127
Income taxes	15,666	14,959
Profit (loss)	27,840	(5,832)
Profit attributable to non-controlling interests	2,002	1,220
Profit (loss) attributable to owners of parent	25,838	(7,053)

(For the nine months ended December 31, 2022)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit (loss)	27,840	(5,832)
Other comprehensive income		
Valuation difference on available-for-sale securities	488	(3,356)
Deferred gains or losses on hedges	(888)	(263)
Foreign currency translation adjustment	7,478	8,831
Remeasurements of defined benefit plans, net of tax	271	375
Share of other comprehensive income of associates accounted for using equity method	765	62
Total	8,113	5,648
Comprehensive income	35,953	(184)
Comprehensive income attributable to :		
Owners of parent	34,373	(1,413)
Non-controlling interests	1,579	1,229

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 31st, 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.

Additional Information:

(Occurrence of a fire)

A fire occurred at a raw material plant of Teijin Aramid B.V. on December 3, 2022, which is expected to reduce sales volume and capacity utilization and to affect the performance of the Material business for the current fiscal year. This fire resulted in an extraordinary loss of 195 million yen, including the recovery cost incurred in the third quarter of FY2022, recorded in the Consolidated Statements of Income for the nine months ended December 31, 2022.

The Teijin Group has fire insurance coverage in anticipation of such fire damage. An investigation into the impact of this incident is still in progress and neither the amount of insurance payout nor the timing of payment have been determined yet. Therefore, it is not included in the nine months ended December 31, 2022.

Segment information

(1) Results of the Third quarter of FY2021 (April 1, 2021 through December 31, 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	284,546	133,571	206,878	39,869	664,864	22,141	687,005
2) Intersegment transactions or transfers	9,990	15	2,321	4,888	17,215	2,775	19,989
Net sales	294,537	133,586	209,199	44,756	682,079	24,915	706,994
Segment income (loss)	(4,798)	37,573	4,523	6,843	44,140	(1,404)	42,736

* "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 150,171 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	44,140
Others segment	(1,404)
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.

(2) Results of the Third quarter of FY2022 (April 1, 2022 through December 31, 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	346,471	115,265	240,522	41,602	743,860	21,240	765,099
2) Intersegment transactions or transfers	8,308	9	1,564	4,811	14,693	3,072	17,765
Net sales	354,779	115,274	242,086	46,413	758,552	24,312	782,864
Segment income (loss)	(12,000)	19,829	8,175	5,420	21,423	(2,293)	19,130

* "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	21,423
Others segment	(2,293)
Elimination of intersegment transactions	(28)
Corporate expenses*	(4,268)
Operating income	14,834

* 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 business is positioned as a new business that will be fostered and enhanced 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

(Significant impairment of noncurrent assets)

In the Materials segment, the Company recorded an impairment loss of 15,504 million yen in the nine months ended December 31, 2022.

(Significant changes in goodwill)

In the Materials segment, the Company recorded an impairment losses on goodwill in the nine months ended December 31, 2022, resulting in a significant change in the amount of goodwill. The decrease in goodwill due to this event is 15,435 million yen. The impairment loss on goodwill is included in the figure presented above "Significant impairment of noncurrent assets".