

## Consolidated Financial Report for Year ended March 31, 2021

### Toyobo Co., Ltd.

Stock Code: 3101

Listed on the First Section of the TSE

URL <https://ir.toyobo.co.jp/en/ir.html>

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Date of the General Meeting of the Shareholders: June 24, 2021

Planned start of dividend payments: June 25, 2021

Planned filing of an annual security report: June 24, 2021

(Figures are rounded to the nearest million yen.)

## 1. Consolidated Business Performance

### (1) Consolidated Operating Results

Years ended March 31

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2021	337,406	(0.6)	26,657	16.9	20,706	14.8	4,202	(69.5)
2020	339,607	0.9	22,794	4.9	18,035	1.4	13,774	—

(Note) Comprehensive profit: Year ended March 31, 2021: ¥9,471 million 113.5%  
Year ended March 31, 2020: ¥4,437 million —%

	Net profit per share	Net profit per share after dilution	Return on equity	Ordinary profit-to-total assets ratio	Operating profit-to-net sales ratio
	Yen	Yen	%	%	%
2021	47.30	—	2.3	4.2	7.9
2020	155.12	—	7.8	3.8	6.7

(Reference) Gain (loss) on investment by equity method: Year ended March 31, 2021: ¥(338) million  
Year ended March 31, 2020: ¥469 million

### (2) Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2021	491,188	188,635	37.8	2,090.47
2020	488,874	182,636	36.4	2,003.01

(Reference) Total shareholders' equity: March 31, 2021: ¥185,729 million, March 31, 2020: ¥177,890 million

### (3) Consolidated Cash Flows

Years ended March 31

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2021	35,028	(31,678)	5,340	34,526
2020	44,255	(39,216)	(1,805)	25,084

## 2. Dividends

Years ended/ending March 31

Record date	Dividends per share					Total amount of dividends (for the entire fiscal year) Millions of yen	Payout ratio %	Dividends-to-net assets ratio %
	June 30	Sept. 30	Dec. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
2020	—	0.00	—	40.00	40.00	3,552	25.8	2.0
2021	—	0.00	—	40.00	40.00	3,554	84.6	2.0
2022 (Forecast)	—	—	—	40.00	40.00		30.9	

## 3. Forecasts for Fiscal Year Ending March 31, 2021

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	360,000	6.7	27,000	1.3	22,000	6.2

	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
Fiscal year	11,500	173.7	129.45

## 4. Other

(1) Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): No

(2) Changes from accounting methods, procedures and the presentation of the consolidated financial statements:

- ① Changes based on revision of accounting standards : No
- ② Changes other than 1) above : No
- ③ Changes due to accounting estimation change : No
- ④ Error correction : No

(3) Number of shares outstanding (Common stock):

- ① Number of shares outstanding at fiscal year-end:  
2021: 89,048,792 shares    2020: 89,048,792 shares
- ② Number of treasury stocks at fiscal year-end:  
2021: 203,350 shares    2020: 237,610 shares
- ③ Average number of shares outstanding:  
2021: 88,834,061 shares    2020: 88,794,609 shares

**(Reference)**

**1. Non-Consolidated Business Performance**

**(1) Non-Consolidated Operating Results**

Years ended March 31

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2021	197,251	(0.9)	18,430	18.3	14,249	12.0	(4,750)	—
2020	199,086	(0.1)	15,582	3.6	12,728	7.1	10,489	—

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2021	(53.47)	—
2020	118.12	—

**(2) Non-Consolidated Financial Position**

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2021	421,593	155,112	36.8	1,745.86
2020	421,625	162,034	38.4	1,824.48

(Reference) Total shareholders' equity: March 31,2021: ¥155,112 million, March 31,2020: ¥162,034 million

※Financial Results Reports are exempt from review by certified public accountants or accounting auditor.

※Explanation regarding the appropriate use of forecasts of business results

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual results may differ from the results anticipated in the statements. For details, please refer to "1. Operating Results (4) Forecast for Fiscal 2022 (Ending March 31, 2022)" on page 7 of the Financial Results report

(How to obtain supplementary document on earnings)

The supplementary document on earnings is disclosed on the same day as the Financial Results Report, and it is made available on the Company's website.

## 1. Operating Results

### (1) Analysis of Operating Results

As for the business environment surrounding the Toyobo Group (hereinafter the “Group”) in the fiscal year ended March 31, 2021 (hereinafter, “the fiscal year”), the economic activities recovered due to the rapid suppression of the novel coronavirus disease (COVID-19) in China, while the global economy was deeply impacted by this pandemic. In the United States, economic activities were gradually recovering due to human mobility restrictions and fiscal and monetary policies. However, it is expected that it will take time for the global economy, including Japan, to normalize due to the shortage of semiconductors and price increase of raw materials and fuel, which became extra factors in the fourth quarter of the fiscal year, on top of the resurgence of the COVID-19 infection cases.

In this business environment, automotive-related products and textiles in the Group were affected by the spread of the COVID-19 infection cases, mainly in the first half of the fiscal year. In the acrylic fiber business, an impairment loss of ¥7.8 billion was recorded on business assets.

On the other hand, while the COVID-19 infection spread, Toyobo has established a system to double the production volume of raw materials and reagents for PCR testing in order to meet the global demand for PCR testing. In addition, sales of mold releasing film for MLCC “COSMOPEEL” improved due to the recovery of automobile production, and sales of polarizer protective films for LCDs “COSMOSHINE SRF” grew due to the commencement of mass production in the new line (Unit 3.)

As a result, consolidated net sales in the fiscal year ended March 31, 2021, decreased ¥2.2 billion (0.6%) over the previous fiscal year, to ¥337.4 billion. Operating profit increased ¥3.9 billion (16.9%) to ¥26.7 billion, ordinary profit increased ¥2.7 billion (14.8%) to ¥20.7 billion, and profit attributable to owners of parent decreased ¥9.6 billion (69.5%) to ¥4.2 billion as a result of recording extraordinary loss for impairment loss on business assets in the acrylic fiber business and loss due to the fire at Inuyama Plant.

Results by business segment were as follows:

Please note that the Group changed its reporting segment classification from of the fiscal year. With regard to the following year-on-year comparison, the prior year’s figures have been restated in accordance with the aforesaid change in the segment classification.

### Films and Functional Materials

In this segment, sales and operating profit increased due to the strong performance of the films business.

In the films business, the packaging film business experienced a decline in films for professional use, etc., caused by the spread of infection of COVID-19, but on the other hand, demand from people staying at home increased. Furthermore, despite a decrease in sales of some products due to the fire accident, environmentally friendly films achieved growth in sales due to the rising eco-consciousness of consumers. In the industrial film business, polarizer protective films for LCDs “COSMOSHINE SRF” showed strong sales growth, and mold releasing film for MLCC “COSMOPEEL” improved in the second half of the fiscal year due to the recovery of automobile production.

In the functional materials business, sales of industrial adhesives “Vylon” and adhesion promoter for polyolefin “HARDLEN” improved in the second half of the fiscal year, but this was unable to compensate for the impact of the spread of COVID-19 through the first half of the fiscal year. On the other hand, in the photo functional materials business, which handles water-wash photo-sensitive printing plates, sales of products for

China, Europe and the United States trended strong.

As a result, sales in this segment increased ¥25.7 billion (20.2%) from the previous fiscal year to ¥152.8 billion, and operating profit increased ¥5.4 billion (37.3%) to ¥20.0 billion.

### **Mobility**

In this segment, despite sales recovery in the second half of the fiscal year due to the improvement of global automobile production, sales and operating profit decreased as this recovery was unable to compensate for the effect of reducing the production of vehicles caused by the spread of infection of COVID-19 through the six months ended September 30, 2020.

Engineering plastics saw a recovery in demand in Japan and overseas in the second half of the fiscal year, and the sales grew in the 4th quarter with a year-on-year increase, but this recovery was unable to compensate for sales decreases through the first half of the fiscal year caused by reduced production of vehicles. The airbag fabrics business continued to face challenges due to material shortages, etc., despite a recovery in sales in the second half of the fiscal year.

As a result, sales in this segment decreased ¥7.3 billion (16.7%) from the same period of the previous fiscal year to ¥36.6 billion, with an operating loss of ¥1.6 billion. (Compared with operating loss of ¥0.7 billion for the same period of the previous fiscal year.)

### **Lifestyle and Environmental**

In this segment, sales and operating profit decreased as a result of high-performance fibers and textiles being sluggish, caused by a decline in demand due to the spread of the COVID-19 infections.

In the environmental solutions business, despite the challenges to acquiring new projects due to the spread of the COVID-19 infections, sales of volatile organic compound (VOC) emissions treatment equipment for recovering solvents were steady for the full-year period owing to the backlog sales orders. Sales of Reverse Osmosis (RO) membrane for seawater desalination grew for the full-year period because the timing of orders of replacement elements shifted to the second half of the fiscal year.

In the nonwoven fabrics business, sales of spunbond for construction and civil engineering applications were sluggish. Sales of functional filters were strong for air purifiers and masks, but struggled for office machinery.

On the other hand, with regard to high-performance fibers, demand for “Tsunooga” used in cut resistant gloves contracted as the plant operation rate fell throughout the world, and “IZANAS” was affected by the decline in demand for use in ropes in Japan.

In the textile business, store sales, etc. for sports, underwear and suits were sluggish because of a significant decline in orders. Traditional Arabic fabric remained weak due to sluggish store sales caused by the outing restriction in Middle Eastern countries.

The acrylic fiber business struggled due to the further deterioration in the market environment due to the spread of the COVID-19 infections amid the fall in demand in the Chinese markets and tough business operations enforced by the anti-dumping policy.

As a result, sales in this segment decreased ¥19.3 billion (15.0%) from the previous fiscal year to ¥109.1 billion, and operating profit decreased ¥1.6 billion (26.3%) to ¥4.4 billion.

## **Life Science**

In this segment, sales and operating profit increased due to the rapid growth in demand for reagents for PCR testing while the contract manufacturing business of pharmaceuticals faced challenges.

In the biotechnology business, demand for raw materials for diagnostic reagents decreased, but sales of reagents for PCR testing and genetic testing equipment grew significantly due to the high demand with the spread of COVID-19.

The contract manufacturing business of pharmaceuticals struggled due to the temporary operational suspension and increased costs for compliance with Good Manufacturing Practice (GMP.)

In the medical materials business, sales of membranes for artificial kidney in the medical membrane business trended strong.

As a result, sales in this segment increased ¥1.5 billion (6.1%) from the previous fiscal year to ¥27.1 billion, and operating profit increased ¥0.7 billion (18.9%) to ¥4.5 billion.

## **Real Estate and Other Business**

This segment includes infrastructure-related businesses, such as real estate, engineering, information processing services, and logistics services. Results in these businesses were generally in line with plans.

As a result, total sales in these businesses decreased ¥2.9 billion (19.6%) from the previous fiscal year to ¥11.8 billion, and operating profit decreased ¥0.3 billion (12.1%) to ¥2.3 billion.

## **(2) Analysis of Financial Position**

Total assets at the end of the subject fiscal year (March 31, 2021) increased ¥2.3 billion (0.5%) from the end of the previous fiscal year (March 31, 2020) to ¥491.2 billion. This was due mainly to an increase in cash and deposits as a result of financing through borrowings from financial institutions in order to increase liquidity on hand, taking into account the impact of the spread of COVID-19, despite a decrease in property, plant and equipment resulting from impairment losses.

Liabilities at the end of the subject fiscal year (March 31, 2021) decreased ¥3.7 billion (1.2%) from the end of the previous fiscal year (March 31, 2020) to ¥302.6 billion. This was mainly because of decreases in other current liabilities and electronically recorded obligations - operating.

Total net assets at the end of the fiscal year under review increased ¥6.0 billion (3.3%) compared to the previous fiscal year to ¥188.6 billion. This was due mainly to an increase in accumulated other comprehensive income, such as remeasurements of defined benefit plans.

## **(3) Cash Flows**

Net cash proceeded by operating activities amounted to ¥35.0 billion at the end of the subject fiscal year. This was due mainly to a cash increase of depreciation of ¥19.1 billion and impairment losses of ¥8.9 billion.

Net cash used in investing activities amounted to ¥31.7 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥27.5 billion.

Net cash used in financing activities amounted to ¥5.3 billion. This was due mainly to net increase in short-term borrowings of ¥8.5 billion, proceeds from long-term borrowings of ¥12.0 billion, repayments of long-term borrowings of ¥9.5 billion and dividends paid of ¥3.6 billion.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2021) stood at ¥34.5 billion, an increase of ¥9.4 billion from the end of the previous fiscal year (March 31, 2020).

## (Reference) Cash Flow Indicators

Years ended March 31

	2017	2018	2019	2020	2021
Equity ratio (%)	37.2	40.5	38.3	36.4	37.8
Equity ratio, based on market value (%)	38.0	41.8	27.2	20.8	25.8
Return on equity (%)	5.8	7.5	(0.3)	7.8	2.3
Interest-bearing debt to cash flow ratio (Years)	6.3	6.5	21.0	4.0	5.3
Interest coverage ratio (Times)	19.3	16.9	6.0	32.2	28.0
D/E ratio (Times)	1.01	0.81	0.93	0.98	1.01

Notes:

Equity ratio: shareholders' equity / total assets

Market-based rate of equity ratio: total market capitalization / total assets

Return on equity: profit attributable to owners of parent / an average of the balances at the beginning and end of period for the total net assets excluding non-controlling interests.

Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flows

Interest coverage ratio: operating cash flows / interest expense

D/E ratio: interest-bearing debt / net assets excluding non-controlling interests

### (4) Forecast for Fiscal 2022 (Ending March 31, 2022)

Regarding the business environment for the fiscal year ending March 31, 2022, as mentioned earlier, it is expected that it will take time for the global economy, including Japan, to normalize due to the effect of shortage of semiconductors and price increase of raw materials and fuel, which became extra factors in the second half of the fiscal year, on top of the resurgence of the COVID-19 infection cases. The speed of economic recovery is likely to be affected by the progress of the COVID-19 vaccine roll-out, the timing of the lifting of restrictions on human mobility, and the recovery status in semiconductor production.

There are concerns that the Group's businesses will be affected by a delay in the recovery of personal consumption due to restriction on human mobility, a decrease in automobile production due to the shortage of semiconductors, and a rise of raw materials and fuel prices.

Meanwhile, Toyobo will make every effort to offer reagents for PCR testing and provide genetic testing equipment, etc., in order to respond to the public demand for PCR testing. In addition, in order to respond to the strong demand for information equipment, Toyobo plans to increase the production of mold releasing film for MLCC "COSMOPEEL" and polarizer protective films for LCDs "COSMOSHINE SRF."

Under this environment, for the fiscal year ending March 31, 2022, the Group is forecasting net sales of ¥360.0 billion (an increase of ¥22.6 billion year on year), operating profit of ¥27.0 (an increase of ¥0.3 billion), ordinary profit of ¥22.0 billion (an increase of ¥1.3 billion), and profit attributable to owners of parent of ¥11.5 billion (an increase of ¥7.3 billion).

## **(5) Basic Policy Regarding Earnings Distribution, and Dividends for Fiscal 2021 and 2022**

Toyobo considers providing returns to shareholders to be one of its highest priorities. Our basic policy is to continually provide a stable dividend, in a comprehensive consideration of such factors as sustainable profits levels, retention of earnings for future investment, and improving the financial position to provide shareholders returns, including the acquisition of treasury shares, with a target total return ratio (\*1) of 30%.

Regarding dividends for the next fiscal year, the basic policy of continuous stable dividends has not changed. Currently, dividends of ¥40 per share are being forecast, but the Group will review this going forward based on the policy above.

(\*1)Total return ratio = (total dividend + total amount of share buybacks) ÷ profit attributable to owners of parent

## **2. Basic Approach to Selection of Accounting Standards**

After considering the possibility of comparisons among financial results for consolidated accounting periods and the possibility of comparisons with other companies, the Group has decided to continue to adopt generally accepted accounting principles in Japan for the time being. Please note that, regarding the adoption of International Financial Reporting Standards (IFRS), the policy of the Group is to take appropriate action after the consideration of related issues in Japan and overseas.



### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	2020 (As of March 31, 2020)	2021 (As of March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	25,247	34,695
Notes and accounts receivable - trade	85,345	85,182
Electronically recorded monetary claims - operating	8,208	8,709
Merchandise and finished goods	49,150	45,785
Work in process	12,750	11,480
Raw materials and supplies	18,728	19,045
Other	7,141	8,203
Allowance for doubtful accounts	(154)	(136)
Total current assets	206,416	212,963
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	52,746	54,227
Machinery, equipment and vehicles, net	43,343	56,053
Land	97,055	93,169
Construction in progress	29,876	12,454
Other, net	8,459	8,738
Total property, plant and equipment	231,478	224,640
Intangible assets		
Other	4,641	4,674
Total intangible assets	4,641	4,674
Investments and other assets		
Investment securities	20,916	26,503
Deferred tax assets	17,977	15,066
Other	8,203	8,191
Allowance for doubtful accounts	(757)	(849)
Total investments and other assets	46,339	48,911
Total non-current assets	282,458	278,225
Total assets	488,874	491,188

(Millions of yen)

	2020 (As of March 31, 2020)	2021 (As of March 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	41,659	40,879
Electronically recorded obligations - operating	8,357	4,881
Short-term borrowings	32,027	40,767
Current portion of bonds payable	—	10,000
Current portion of long-term borrowings	8,510	10,107
Provision for bonuses	4,366	4,691
Other	27,403	20,118
<b>Total current liabilities</b>	<b>122,321</b>	<b>131,444</b>
<b>Non-current liabilities</b>		
Bonds payable	55,000	45,000
Long-term borrowings	75,851	77,046
Deferred tax liabilities for land revaluation	21,277	20,156
Provision for retirement benefits for directors (and other officers)	247	241
Provision for environmental measures	331	31
Retirement benefit liability	21,613	18,288
Other	9,598	10,347
<b>Total non-current liabilities</b>	<b>183,916</b>	<b>171,109</b>
<b>Total liabilities</b>	<b>306,238</b>	<b>302,553</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	51,730	51,730
Capital surplus	32,200	32,202
Retained earnings	61,929	64,351
Treasury shares	(350)	(294)
<b>Total shareholders' equity</b>	<b>145,509</b>	<b>147,989</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,013	7,038
Deferred gains or losses on hedges	(8)	11
Revaluation reserve for land	44,457	42,708
Foreign currency translation adjustment	(11,954)	(11,052)
Remeasurements of defined benefit plans	(4,128)	(965)
<b>Total accumulated other comprehensive income</b>	<b>32,381</b>	<b>37,740</b>
<b>Non-controlling interests</b>	<b>4,746</b>	<b>2,906</b>
<b>Total net assets</b>	<b>182,636</b>	<b>188,635</b>
<b>Total liabilities and net assets</b>	<b>488,874</b>	<b>491,188</b>

**(2) Consolidated Statements of Income and  
Consolidated Statements of  
Comprehensive Income**

(Millions of yen)

(Consolidated Statements of Income)	2020 (From April 1, 2019 To March 31, 2020)	2021 (From April 1, 2020 To March 31, 2021)
Net sales	339,607	337,406
Cost of sales	255,140	247,032
Gross profit	84,467	90,375
Selling, general and administrative expenses	61,673	63,718
Operating profit	22,794	26,657
Non-operating income		
Dividend income	650	555
Share of profit of entities accounted for using equity method	469	—
Insurance claim income	598	368
Subsidy income	38	1,041
Other	1,575	1,167
Total non-operating income	3,329	3,131
Non-operating expenses		
Interest expenses	1,369	1,283
Salaries paid to dispatched employees	859	753
Loss on suspension of production	947	1,854
Other	4,914	5,192
Total non-operating expenses	8,089	9,082
Ordinary profit	18,035	20,706
Extraordinary income		
Gain on extinguishment of tie-in shares	—	387
Gain on sale of non-current assets	16	85
Gain on sale of investment securities	448	—
Gain on bargain purchase	65	—
Gain on liquidation of subsidiaries and associates	30	157
Insurance claim income	10,647	—
Total extraordinary income	11,206	629
Extraordinary losses		
Impairment losses	2,397	8,923
Loss on fire	3,112	1,906
Loss on disposal of non-current assets	3,979	3,558
Other	37	1,366
Total extraordinary losses	9,525	15,753
Profit before income taxes	19,716	5,582
Income taxes - current	5,587	3,541
Income taxes - deferred	819	(271)
Total income taxes	6,406	3,270
Profit	13,310	2,313
Loss attributable to non-controlling interests	(464)	(1,889)
Profit attributable to owners of parent	13,774	4,202

(Millions of yen)

(Consolidated Statements of Comprehensive Income)	2020 (From April 1, 2019 To March 31, 2020)	2021 (From April 1, 2020 To March 31, 2021)
Profit	13,310	2,313
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,052)	3,015
Deferred gains or losses on hedges	25	19
Foreign currency translation adjustment	(1,705)	1,069
Remeasurements of defined benefit plans, net of tax	(2,089)	3,162
Share of other comprehensive income of entities accounted for using equity method	(52)	(107)
Total other comprehensive income	<u>(8,873)</u>	<u>7,158</u>
Comprehensive income	<u>4,437</u>	<u>9,471</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,974	11,309
Comprehensive income attributable to non-controlling interests	(538)	(1,838)

### (3) Consolidated Statements of Changes in Net Assets

2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	51,730	32,206	51,858	(415)	135,378
Changes during period					
Dividends of surplus			(3,551)		(3,551)
Profit attributable to owners of parent			13,774		13,774
Reversal of revaluation reserve for land			26		26
Change in scope of consolidation			(167)		(167)
Change in scope of equity method			(9)		(9)
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		(6)		68	62
Net changes in items other than shareholders' equity					
Total changes during period	-	(6)	10,071	64	10,130
Balance at end of period	51,730	32,200	61,929	(350)	145,509

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,071	(33)	44,483	(10,277)	(2,038)	41,206	4,641	181,226
Changes during period								
Dividends of surplus								(3,551)
Profit attributable to owners of parent								13,774
Reversal of revaluation reserve for land								26
Change in scope of consolidation								(167)
Change in scope of equity method								(9)
Purchase of treasury shares								(3)
Disposal of treasury shares								62
Net changes in items other than shareholders' equity	(5,058)	25	(26)	(1,677)	(2,089)	(8,825)	105	(8,720)
Total changes during period	(5,058)	25	(26)	(1,677)	(2,089)	(8,825)	105	1,410
Balance at end of period	4,013	(8)	44,457	(11,954)	(4,128)	32,381	4,746	182,636

2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	51,730	32,200	61,929	(350)	145,509
Changes during period					
Dividends of surplus			(3,552)		(3,552)
Profit attributable to owners of parent			4,202		4,202
Reversal of revaluation reserve for land			1,745		1,745
Change in scope of consolidation			28		28
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		2		59	61
Net changes in items other than shareholders' equity					
Total changes during period	—	2	2,422	56	2,480
Balance at end of period	51,730	32,202	64,351	(294)	147,989

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,013	(8)	44,457	(11,954)	(4,128)	32,381	4,746	182,636
Changes during period								
Dividends of surplus								(3,552)
Profit attributable to owners of parent								4,202
Reversal of revaluation reserve for land								1,745
Change in scope of consolidation								28
Purchase of treasury shares								(3)
Disposal of treasury shares								61
Net changes in items other than shareholders' equity	3,025	19	(1,749)	902	3,162	5,359	(1,840)	3,518
Total changes during period	3,025	19	(1,749)	902	3,162	5,359	(1,840)	5,999
Balance at end of period	7,038	11	42,708	(11,052)	(965)	37,740	2,906	188,635

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	2020 (From April 1, 2019 To March 31, 2020)	2021 (From April 1, 2020 To March 31, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	19,716	5,582
Depreciation	17,005	19,095
Increase (decrease) in allowance for doubtful accounts	48	68
Increase (decrease) in retirement benefit liability	230	1,189
Interest and dividend income	(791)	(619)
Interest expenses	1,369	1,283
Share of loss (profit) of entities accounted for using equity method	(469)	338
Impairment losses	2,397	8,923
Loss (gain) on sales and disposal of property, plant and equipment, net	3,963	3,658
Loss (gain) on sale and valuation of investment securities	(448)	78
Loss (gain) on sale of shares of subsidiaries and associates	—	4
Insurance claim income	(10,647)	—
Loss due to fire	3,112	1,906
Decrease (increase) in trade receivables	(2,005)	306
Decrease (increase) in inventories	1,678	5,067
Increase (decrease) in trade payables	3,367	(4,664)
Decrease (increase) in retirement benefit asset	142	(420)
Other, net	552	467
Subtotal	39,219	42,261
Payments for Loss due to fire	(4,147)	(952)
Income taxes refund (paid)	(1,464)	(6,281)
Proceeds from insurance income	10,647	—
Net cash provided by (used in) operating activities	44,255	35,028
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(30,858)	(27,495)
Proceeds from sale of property, plant and equipment and intangible assets	1,344	473
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(8,797)	—
Proceeds from collection of long-term loans receivable	903	29
Long-term loan advances	(117)	(73)
Interest and dividends received	810	619
Other, net	(2,500)	(5,230)
Net cash provided by (used in) investing activities	(39,216)	(31,678)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(13,498)	8,466
Proceeds from long-term borrowings	14,595	12,004
Repayments of long-term borrowings	(12,460)	(9,471)
Proceeds from issuance of bonds	25,000	—
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(3)	(2)
Interest paid	(1,376)	(1,249)
Dividends paid	(3,551)	(3,550)
Dividends paid to non-controlling interests	(25)	(2)
Other, net	(487)	(856)
Net cash provided by (used in) financing activities	(1,805)	5,340
Effect of exchange rate change on cash and cash equivalents	(621)	461
Net increase (decrease) in cash and cash equivalents	2,613	9,151
Cash and cash equivalents at beginning of period	22,167	25,084

Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	303	20
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	270
Cash and cash equivalents at end of period	<u>25,084</u>	<u>34,526</u>



## **(5) Notes to Consolidated Financial Statements**

(Note to Going Concern)

Not applicable

(Segment Information)

a. Segment Information

### **1. Reportable Segment Operating Results**

Toyobo's reportable segments allow it to acquire financial data separated into the various components of the corporate group. The scope of the segments is reviewed on a regular basis in order to allow the highest decision-making body to determine the allocation of management resources, and evaluate earnings performance.

Toyobo's basic organization comprises solution headquarters and business divisions within the head office, separated by the type, nature and market region for products and services. Each solution headquarters and business division formulates comprehensive strategies for its domestic and overseas operations, and conducts business activities.

Accordingly, Toyobo comprises segments by market region. Its five reportable segments are "Films and Functional Materials," "Mobility," "Lifestyle and Environmental," "Life Science" and "Real Estate."

The "Films and Functional Materials" segment manufactures and sells packaging films, industrial films, industrial adhesives, photo functional materials and other products. The "Mobility" segment manufactures and sells engineering plastics, airbag fabrics and other products. The "Lifestyle and Environmental" segment manufactures and sells water treatment membranes, functional filters, high-performance fibers, nonwoven fabrics, functional textiles, apparel products, apparel textiles, apparel fibers and other products. The "Life Science" segment manufactures and sells bio-products such as enzymes for diagnostics, pharmaceuticals, medical-use membranes, medical equipment, equipment devices and other products. The "Real Estate" segment leases and manages real estate properties.

(Matters concerning changes to reportable segments)

From the subject fiscal year, the Group is reviewing the method of classification of reportable segments in conformity with the changes of the Group's internal organizational structure carried out in order to realize the "ability to provide solutions" (contribution to society through business), which is the Group's materiality.

Accordingly, business segments were changed from "Films and Functional Polymers," "Industrial Materials," "Health care" and "Textiles and Trading" to "Films and Functional Materials," "Mobility," "Lifestyle and Environmental" and "Life Science."

Segment Information for the previous fiscal year was restated in accordance with the method of classification after the aforesaid change.

### **2. Calculation Method for the Amounts of Net Sales, Profit or Loss, Assets and Other Items by Reportable Segment**

The accounting method used for the reported business segments is the same as the method described in "Basis of preparing Consolidated Financial Statements."

Profit of reportable segments is based on operating profit.

Intersegment sales and transfers are based on actual market pricing.

### 3. Segment Operating Results and Assets

[Fiscal Year ended March 31, 2020]

(Millions of yen)

	Segment to be Reported						Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated Statements of Profit (Note 3)
	Films and Functional Materials	Mobility	Lifestyle and Environ- mental	Life Science	Real Estate	Total				
Net sales										
Outside customers	127,127	43,905	128,409	25,538	4,405	329,383	10,224	339,607	—	339,607
Inter-segment sales and transfers	86	10	435	48	393	971	22,473	23,444	(23,444)	—
Total	127,213	43,915	128,844	25,586	4,797	330,355	32,697	363,052	(23,444)	339,607
Operating profit (loss)	14,582	(701)	5,936	3,798	1,482	25,097	1,141	26,238	(3,444)	22,794
Assets	158,950	51,153	135,923	32,571	48,709	427,306	21,972	449,278	39,596	488,874
Others										
Depreciation and amortization	6,724	1,550	3,921	2,330	657	15,182	336	15,518	1,487	17,005
Capital expenditure	21,528	3,360	6,689	2,704	377	34,658	341	34,999	1,446	36,445

#### Note:

- Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.
- (1) Segment profit or loss adjustment of ¥(3,444) million includes eliminations of intersegment transactions of ¥(388) million and companywide expenses that are not allocated across reporting segments of ¥(3,056) million. The principal components of companywide expenses are those related to basic research and development.  
(2) The adjustment of segment assets of ¥39,596 million includes corporate assets of ¥79,682 million that are not allocated to the reportable segments.  
(3) The adjustment of increases in property, plant and equipment and intangible assets of ¥1,446 million represents that amount of capital investment related to research and development expenses.
- Segment profit has been adjusted with operating income on the consolidated financial statements.

[Fiscal Year ended March 31, 2021]

(Millions of yen)

	Segment to be Reported						Other Business- ses (Note 1)	Total	Adjustment (Note 2)	Consolidated Statements of Profit (Note 3)
	Films and Functional Materials	Mobility	Lifestyle and Environ- mental	Life Science	Real Estate	Total				
Net sales										
Outside customers	152,842	36,753	109,148	27,087	3,959	329,608	7,798	337,406	—	337,406
Inter-segment sales and transfers	110	27	362	40	463	1,002	13,631	14,663	(14,633)	—
Total	152,952	36,599	109,509	27,127	4,422	330,610	21,429	352,039	(14,633)	337,406
Operating profit (loss)	20,028	(1,572)	4,376	4,517	1,548	28,897	754	29,650	(2,993)	26,657
Assets	165,697	50,396	132,101	36,034	48,237	432,465	16,141	448,606	42,582	491,188
Others										
Depreciation and amortization	8,886	1,364	3,802	2,372	704	17,128	421	17,550	1,545	19,095
Capital expenditure	8,802	1,408	5,892	3,159	348	19,609	751	20,360	2,893	23,253

Note:

1. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.
2. (1) Segment profit or loss adjustment of ¥(2,993) million includes eliminations of intersegment transactions of ¥150 million and companywide expenses that are not allocated across reporting segments of ¥(3,144) million. The principal components of companywide expenses are those related to basic research and development.  
(2) The adjustment of segment assets of ¥42,582 million includes corporate assets of ¥79,074 million that are not allocated to the reportable segments.  
(3) The adjustment of increases in property, plant and equipment and intangible assets of ¥2,893 million represents that amount of capital investment related to research and development expenses.
3. Segment profit has been adjusted with operating income on the consolidated financial statements.

(Significant subsequent events)

#### Merger with TOYOBO FILM SOLUTIONS LIMITED

The Company has resolved to implement an absorption-type merger with its consolidated subsidiary, TOYOBO FILM SOLUTIONS LIMITED (hereinafter, "TFS"), at the meeting of the Board of Directors held on December 25, 2020, entered into a merger agreement on the same date and carried out the merger effective April 1, 2021. Pursuant to Article 796, paragraph 2 (as for the Company) and Article 784, paragraph 1 (as for TFS) of the Companies Act, the merger has been conducted without the general meeting of shareholders of each company on their respective approval for the merger agreement.

The outline of the merger is as follows.

#### 1. Outline of the transaction

##### (1) Name and content of business of the company involved in the merger

Name of the company involved in the merger: TOYOBO FILM SOLUTIONS LIMITED

Content of business: Manufacturing and sale of films

##### (2) Date of the business combination

April 1, 2021

##### (3) Legal form of the business combination

The merger has been conducted as an absorption-type merger, with the Company as the surviving company and TFS as the disappearing company.

##### (4) Name of the company after the business combination

TOYOBO CO., LTD.

##### (5) Other items related to the outline of the transaction

###### (i) Purpose of the merger

The Company decided to implement an absorption-type merger with TFS with the aim of establishing a structure to seamlessly and efficiently provide high-performance film products to customers by combining the distinctive technologies and product lineups of TFS and the Company.

###### (ii) Allotment regarding the merger

There was no issuance of new shares or allotment of any other consideration with respect to the merger.

###### (iii) Financial position and operating results of the company involved in the merger for immediately preceding fiscal year (Fiscal year ended December 31, 2020)

Assets ¥18,145 million

Liabilities ¥7,801 million

Net assets ¥10,344 million

Net sales ¥24,939 million

Profit ¥2,107 million

## 2. Outline of the accounting method

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the merger was accounted for as a transaction under common control.

### Issuance of unsecured straight bonds in the Japanese market

At the meeting of the Board of Directors held on April 23, 2021, a comprehensive resolution regarding the issuance of unsecured straight bonds in the Japanese market was passed. The details of this resolution are as follows:

(1) Issue amount: ¥20,000 million or less.

However, multiple issues within the scope of this amount are not ruled out.

(2) Issue price: ¥100 for each bond with par value of ¥100.

(3) Interest rate: Market yield of Japanese government bonds with the same maturities plus 1.0% or less

(4) Payment dates: From April 24, 2021 to March 31, 2022.

However, if the bonds are offered during this period, payments after this period will be accepted.

(5) Term of redemption: 5 years or more, to 10 years.

(6) Method of redemption: Full amount on maturity.

However, a retirement by purchase clause may be included.

(7) Uses of funds: For redemption of bonds, repayment of borrowings, purchases of plant and equipment (includes acquisition of stock through mergers and acquisitions), working capital and capital investments.

(8) Special provisions: These bonds will include a negative pledge clause.

(9) Other: Decisions regarding matters covered in Article 676 of the Companies Act and all other items related to the issuance of bonds will be made within the scope stated above at the discretion of the director in charge of the Finance Division.