

Consolidated Financial Report for Year ended March 31, 2015

Toyobo Co., Ltd.

Listed on the First Section of the TSE

Stock Code: 3101

URL <http://www.toyobo-global.com/ir/>

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Date of the General Meeting of the Shareholders: June 26, 2015

Planned start of dividend payments: June 29, 2015

Planned filing of an annual security report: June 26, 2015

(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 income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2015	351,279	(0.1)	20,580	(2.0)	16,257	(11.8)	8,117	(0.5)
2014	351,577	3.7	21,006	23.0	18,426	18.7	8,154	6.7

(Note) Comprehensive income: Year ended March 31, 2015: ¥ 18,182 million, Year ended March 31, 2014: ¥ 12,988 million

	Net income per share	Net income per share after dilution	Return on equity	Ordinary income-to-total assets ratio	Operating income-to-net sales ratio
	Yen	Yen	%	%	%
2015	9.14	---	5.4	3.5	5.9
2014	9.18	---	5.8	4.1	6.0

(Reference) Gain (loss) on investment by equity method: Year ended March 31, 2015: ¥ (1,102) million,
Year ended March 31, 2014: ¥ 188 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
2015	465,809	161,087	33.9	177.95
2014	456,256	145,115	31.2	160.28

(Reference) Total shareholders' equity: March 31, 2015: ¥157,988 million, March 31, 2014: ¥142,310 million

(3) Consolidated Cash Flows

Years ended March 31

	Cash flow provided by operating activities	Cash flow used in investing activities	Cash flow used in financing activities	Cash and cash equivalent at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2015	20,107	(20,089)	797	20,389
2014	23,927	(22,218)	(10,839)	19,177

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			
2014	---	0.00	---	3.50	3.50	3,110	38.1	2.2
2015	---	0.00	---	3.50	3.50	3,108	38.3	2.1
2016 (Forecast)	---	0.00	---	3.50	3.50		25.9	

3. Forecasts for Fiscal Year ending March 31, 2016

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	175,000	1.6	11,000	21.8	10,000	90.1
Fiscal year	365,000	3.9	24,000	16.6	22,000	35.3

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	5,500	111.8	6.19
Fiscal year	12,000	47.8	13.52

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation):

Deletion: One company (TC Preferred Capital Limited)

2. Changes in accounting rules, procedures or method of presentation relating to the preparation of the consolidated financial statements (Matters included in changes to significant items that form the basis for preparation of the consolidated financial statements).

a. Changes in accordance with revisions to accounting standards: Yes

b. Other changes: None

3. Number of Shares Outstanding (Common stock)

Number of shares outstanding at fiscal year-end:

2015: 890,487,922 shares 2014: 890,487,922 shares

Number of treasury stocks at fiscal year-end:

2015: 2,653,322 shares 2014: 2,623,596 shares

Average number of shares outstanding:

2015: 887,850,475 shares 2014: 888,545,627 shares

(Reference)**1. Non-Consolidated Business Performance****(1) Non-Consolidated Operating Results**

Years ended March 31

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2015	221,237	(1.2)	13,502	(3.8)	10,370	8.0	4,437	228.6
2014	223,830	3.2	14,037	7.5	9,604	0.0	1,350	(41.2)

	Net income per share	Net income per share after dilution
	Yen	Yen
2015	5.00	---
2014	1.52	---

(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
2015	398,855	148,741	37.3	167.53
2014	394,508	142,913	36.2	160.96

(Reference) Total shareholders' equity: March 31, 2015: ¥148,741 million, March 31, 2014: ¥142,913 million

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.

1. Operating Results

(1) Analysis of Operating Results

During the fiscal year ended March 31, 2015, from April 1, 2014 through March 31, 2015, the business environment for the Toyobo Group was characterized by such trends in the world economy as continued recovery in the United States against a background of monetary easing through the third quarter. However, the emerging countries of Asia, including China, continued to experience deceleration in growth. On the other hand, in Japan, economic recovery was lacking in robustness because of the prolonged impact of the increase in the consumption tax.

Amid this operating environment, the Toyobo Group continued its activities aimed at becoming “The category leader, continuing to create new value that contributes to society in the environment, life science, and high-function fields.” Accordingly, Toyobo is proceeding with activities targeted at further growth by expanding its businesses in Japan and overseas markets through developing specialty products and expanding their sales. Also, during the fiscal year under review, Toyobo continued to implement its Medium-Term Management Plan that covers the four years ending March 2018. This plan sets forth five action plans: namely, “accelerating overseas business development,” “developing new products and creating new businesses,” “increasing competitiveness of domestic businesses,” “improving asset efficiency,” and “strengthening global Group management.” During the fiscal year under review, Toyobo proceeded with business activities to realize these five objectives.

In “accelerating overseas business development,” in the engineering plastics business, to accelerate sales growth in Central America, where expansion in the market for plastics used in the manufacturing of automotive parts is expected, Toyobo established a new company in Mexico. Also, in the airbag fabrics business, Toyobo strengthened its marketing activities through the acquisition, jointly done with another company, of a manufacturer of yarn for airbags based in Germany. In the business of reverse osmosis (RO) membrane elements for seawater desalination, Toyobo increased production capacity at its joint venture for manufacturing these membranes in Saudi Arabia and took other measures aimed at expansion and strengthening its operating systems.

In the area of “developing new products,” Toyobo worked to expand sales of “COSMOSHINE SRF” polarizer protective films for LCDs and increase sales of “Nerbridge,” Japan’s first conduits for nerve regeneration. Regarding “Nerbridge,” Toyobo is moving forward with preparations to begin sales of this product in the United States.

In the areas of “increasing competitiveness of domestic businesses” and “improving asset efficiency,” Toyobo suspended the production of plastics for the production of PET bottles and withdrew from the manufacturing of polyester raw materials. In addition, in the polyolefin cast films business, to increase production efficiency and expand business overseas, Toyobo established a joint venture through the merger of its production company and another company.

Note that the implementation of these activities in Japan and abroad led to one-time costs for the development of markets for new products and the start-up of new production facilities. In addition, costs were incurred in the withdrawal from the polyester materials business.

As a result, consolidated net sales for the subject fiscal year decreased ¥0.3 billion (0.1%) from the previous fiscal year to ¥351.3 billion. Operating income declined ¥0.4 billion (2.0%) to ¥20.6 billion; ordinary income decreased ¥2.2 billion (11.8%) to ¥16.3 billion; and net income declined ¥0.0 billion (0.5%) to ¥8.1 billion.

Results by business segment were as follows:

Films and Functional Polymers

Within this segment, in the films business, although sales of both packaging and industrial films increased, costs incurred in connection with the development of markets for new products and the start-up of new production facilities caused a decline in income. In the functional polymers business, the performance of engineering plastics, principally in overseas markets, was favorable, and sales increased. As a result, overall sales in the films and functional polymers segment increased, but income decreased compared with the previous fiscal year.

In the films business, sales increased in unit volume terms as a result of marketing activities, despite the adverse impact of the reactionary decline in consumption following the increase in the consumption tax and the effects of unseasonable summer weather conditions. In the industrial films business, sales were firm because of the expansion of sales to the Asian markets (outside Japan) and initiatives to accelerate sales to the domestic smartphone market by capturing demand for new applications. Sales of “COSMOSHINE SRF” showed a major increase for use in TVs, especially among overseas users.

In the functional polymers business, the market environment for sales of industrial adhesive “VYLON” to the paint industry was difficult, but sales for IT and electronics uses expanded steadily. Sales of engineering plastics to automotive-related customers were robust, especially in China and North America.

As a result, sales in this segment increased ¥1.6 billion (1.1%) from the previous fiscal year to ¥149.6 billion, but operating income declined ¥0.2 billion (2.8%) to ¥7.6 billion.

Industrial Materials

Although performance in this segment was influenced by Toyobo’s withdrawal from the tire cord business in the previous year, sales of high-performance fibers, products for consumer and industrial uses, and “Spunbond” were favorable. Overall, the segment showed a decrease in sales but an increase in income

In the airbag fabrics business, performance was adversely affected by high raw materials prices

and lackluster conditions in the domestic automobile market. Among high-performance fibers, conditions were difficult for sales of “Dyneema,” but sales of “ZYLON” expanded in unit volume terms, principally for uses in heat resistant materials. In the functional filter business, sales to the automobile industry were weak, but demand for volatile organic compound (VOC) emissions treatment equipment was on a recovery trend accompanying improvement in the Asian markets. Among products for consumer and industrial uses, sales of “BREATHAIR®,” a functional cushion material, held firm, and sales of “Spunbond,” principally to the civil engineering and construction industries, expanded.

As a consequence, sales in this segment declined ¥3.8 billion (5.3%) from the previous fiscal year to ¥67.9 billion, but operating income increased ¥0.5 billion (9.3%) to ¥6.0 billion.

Life Science

In this segment, sales in the bioproducts and medical products businesses were firm, but conditions were difficult in the medical membrane business and the contract manufacturing business of pharmaceuticals. As a result, compared with the previous fiscal year, sales increased but operating income decreased.

In the bioproducts business, sales of diagnostic enzymes, which are mainstay products in the biochemicals business, expanded in overseas markets, and sales of reagents for life science increased. In the medical devices business, sales of “Nerbridge” nerve regeneration conduits steadily increased as the number of applications of these devices expanded in Japan. In the contract manufacturing business of pharmaceuticals, operating conditions were difficult because of the postponement of some projects. In the functional membrane business, sales of RO membrane elements for seawater desalination plants were firm due to stable replacement demand, but conditions for the sale of medical membranes were challenging.

As a result, sales in this segment rose ¥1.3 billion (4.9%) from the previous fiscal year to ¥28.7 billion, but operating income declined ¥0.1 billion (2.2%) to ¥5.0 billion.

Textiles

In this segment, sales of textiles continued to be strong, but conditions in acrylic fiber were difficult. As a result, segment sales and operating income decreased.

Sales of sports apparel to large apparel manufacturers were steady, and sales of materials for uniforms remained firm overall. Among textile products, sales of materials for traditional Arabic menswear were on a recovery trend. Performance of acrylic fibers was adversely affected by high raw materials prices, and deterioration in the market created a difficult operating environment.

As a consequence, sales in this segment decreased ¥2.2 billion (2.8%) from the previous fiscal year to ¥76.9 billion, and operating income declined ¥0.6 billion (19.1%) to ¥2.4 billion.

Real Estate and Other Businesses

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

Therefore, total sales in these businesses rose ¥2.7 billion (10.8%) from the previous fiscal year to ¥28.2 billion, but operating income declined ¥0.1 billion (2.7%) to ¥2.7 billion.

Forecast for Fiscal 2016 (ending March 31, 2016)

The outlook for the business environment during the fiscal year ending March 31, 2016 is for gradual recovery overall, as the adverse impact of the increase in the consumption tax, which has continued since April 2014, will run its course and the positive impact of higher wages and increases in stock prices are felt. On the other hand, in the domestic economy, there are concerns regarding unstable trends caused by higher raw material and fuel prices. Overseas, in China and the emerging countries of Asia, there are concerns about further deceleration in growth, and uncertainty about future trends will remain.

In view of these prospects for the business environment, the Toyobo Group will work to build a strong earnings generating capacity that will be strong in the face of changes in the environment. In addition, the Group will aim to become “the category leader, continuing to create new value that contributes to society in the environment, life science, and high-function fields as it focuses its corporate resources in highly profitable growth businesses. In addition, through activities, including increasing asset efficiency and strengthening financial position, the Group will endeavor to become an enterprise characterized by both growth potential and stability.

As a result of these activities, for the fiscal year ending March 31, 2016, the Group is forecasting net sales of ¥365.0 billion (an increase of ¥13.7 billion year on year), operating income of ¥24.0 billion (an increase of ¥3.4 billion), ordinary income of ¥22.0 billion (an increase of ¥5.7 billion), and profit attributable to owners of parent of ¥12.0 billion (an increase of ¥3.9 billion).

(2) Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2015) increased ¥9.6 billion (2.1%) from the end of the previous fiscal year (March 31, 2014) to ¥465.8 billion. This was due mainly to increase in notes and accounts receivable - trade.

Total liabilities decreased ¥6.4 billion (2.1%) to ¥304.7 billion. This was due mainly to decrease in liabilities for retirement benefits.

Total net assets increased ¥16.0 billion (11.0%) to ¥161.1 billion. This was due mainly to increase in valuation difference on available-for-sale securities.

Cash Flows

Net cash proceeded by operating activities amounted to ¥20.1 billion at the end of the subject fiscal year. This consisted mainly of ¥12.3 billion Income before income taxes and minority interests; ¥14.9 billion in depreciation and amortization; and ¥6.2 billion increase in notes and accounts receivable - trade.

Net cash used in investing activities amounted to ¥20.1 billion. This consisted mainly of ¥17.9 billion in expenditures for Purchase of property, plant and equipment and intangible assets; and ¥3.6 billion in payments for investments in capital.

Net cash used in financing activities amounted to ¥0.8 billion. This consisted mainly of ¥31.7 billion in Repayments of long-term loans payable and ¥29.6 billion in income of long-term debt.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2015) stood at ¥20.4 billion, an increase of ¥1.2 billion from the end of the previous fiscal year (March 31, 2014).

(Reference) Cash Flow Indicators

Years ended March 31

	2011	2012	2013	2014	2015
Equity ratio (%)	28.4	29.8	30.8	31.2	33.9
Equity ratio, based on market value (%)	24.0	23.9	31.8	31.5	30.9
Interest-bearing debt to cash flow ratio (Years)	4.5	10.9	5.3	7.1	8.8
Interest coverage ratio (Times)	13.3	6.6	16.0	13.3	11.3
D/E ratio (Times)	1.21	1.19	1.16	1.20	1.12

Notes:

Equity ratio: shareholders' equity/ total assets

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

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 minority interests

(3) Basic Policy Regarding Earnings Distribution, and Dividends for Fiscal 2015 and 2016

Toyobo considers providing returns to shareholders to be one of its highest priorities. Our basic policy is to continually provide a stable dividend, determined in a comprehensive consideration of such factors as improving the financial position, profit levels, and retention of earnings for future investment.

In accordance with this policy, Toyobo plans to pay a year-end dividend for the subject fiscal year of ¥3.50 per share. For fiscal 2016, we expect to pay a dividend of ¥3.50 per share, based on the forecast net income of ¥12.0 billion.

2. MANAGEMENT POLICY

(1) Basic Management Policy

The basic philosophy of the Toyobo Group in Japanese is Jun-Ri-Soku-Yu. This means “adhering to reason leads to prosperity.” Following this philosophy, to continue to be a company that is trusted by all its stakeholders, the Group will contribute to the creation of a sound and sustainable society by offering socially beneficial products and services. Toyobo’s management policy is “continuous reform of business portfolio.” Under this policy, Toyobo works to increase its corporate value by concentrating its corporate resources in businesses that are profitable and have growth potential, aggressively expanding its business activities in the domestic and overseas markets, while also increasing its capital efficiency and strengthening its financial position.

(2) Target Managerial Indicators

The indicator that Toyobo management emphasizes is return on total invested capital, or ROA. Taking account of the cost of capital, Toyobo aims to generate ROA of 8% or more. Each of the Company’s business departments and Group companies are evaluated by uniform criteria that include profitability, ROA, and cash flow. Portfolio reforms are based on these evaluations.

To assess its financial position, Toyobo emphasizes its debt to equity ratio, which is defined as the ratio of interest-bearing debt to net assets (excluding minority interests). Toyobo aims for a strong financial position and has set the objective of reducing its debt to equity ratio to 1.0 in the medium term.

(3) Medium- to Long-Term Business Strategies and Issues to Be Addressed

The Toyobo Group is continuing to implement strategic actions aimed at further expanding its businesses by setting five objectives, namely, “accelerating overseas business development,” “developing new products and creating new businesses,” “strengthening competitiveness in domestic businesses,” “improving asset efficiency,” and “strengthening global management functions.” All of these objectives are included in the overall management action plans and in the action plans of each business segment. All the member companies of the Toyobo Group are working together to realize growth.

(a) Accelerating Overseas Business Development

At present, overseas sales of the Toyobo Group account for only slightly less than 30% of total sales, and this is an issue to be addressed. Looking ahead, drawing on the infrastructure of its overseas offices, Toyobo will work to expand its overseas sales, concentrating on differentiated products that meet the needs of regional markets and focusing on growth markets, including the emerging countries. Toyobo will accelerate its overseas sales growth through a combination of exports, local production, business alliances, M&A, and other means, and will aim for raising the percentage of overseas sales to total sales to 40% by the fiscal year ending March 2018.

Another important issue will be securing and training personnel who can support the development of Toyobo’s overseas business activities. Accordingly, the Company will step up its activities to

recruit and train overseas staff members in the local markets and actively pursue personnel strategies that will enable it to recruit and draw on the capabilities of a diversity of human resources.

(b) Developing New Products and Creating New Businesses

In recent years, the Toyobo Group has launched new products that will be growth drivers in the years ahead. These have included “COSMOSHINE SRF” and “Nerbridge.” All of these products are innovative and responsive to customer needs, and have won high appraisal in their respective markets. As the Group implements its Medium-Term Management Plan, an issue will be how to expand sales of these products according to plan and nurture them to become true drivers of growth. On the other hand, to realize sustained growth, “continuous reform of business portfolio” will be essential, and an issue going forward will be to create mechanisms within the Group that are necessary for sustaining the development of new products. Also, as the life cycles of products are becoming shorter, “open innovation,” involving collaboration with companies and others outside the Group, will be increasingly important for accelerating the pace of new product development. “COSMOSHINE SRF” is an example of a product that has been successfully commercialized in collaboration with a university. Going forward, the Group will accelerate the development of new products as it takes active open innovation initiatives.

(c) Strengthening Competitiveness in Domestic Businesses

Cost-competitiveness is the source of corporate competitiveness, and Toyobo is continuing to address the need to constantly reduce costs. Along with reforms in the materials procurement chain, the Company is proceeding with structural reforms in its domestic business network, including the realignment of its machinery and equipment and attracting businesses to make use of its idle land resources. Also, in both the Company’s line and staff departments, it has set goals and policies for cost reduction and is conducting the thoroughgoing monitoring of progress. Through these and other activities, Toyobo is endeavoring to strengthen competitiveness in its domestic businesses.

(d) Improving Asset Efficiency

In the textile and apparel businesses, the Company has not hesitated to reduce the size and close certain of its facilities, aiming to improve the efficiency of its assets. In addition, even in its specialties businesses, the Company is reviewing those fields where profitability has declined along with changes in the business environment. During the fiscal year under review, the Company suspended the production of plastic for manufacturing PET bottles and withdrew from the production of polyester raw materials. Looking ahead also, the Company will review its businesses from a portfolio reform perspective and, at all business levels, proceed with thoroughgoing reforms, emphasizing increasing asset efficiency together with Group companies.

(e) Strengthening Global Management Functions

To accelerate overseas business development and expand the Company’s business operations, the strengthening of global management functions will be an important issue. Specifically, the

Company will work to strengthen its systems for global performance management, review the operation of its organization, and upgrade its IT systems to support global management. In addition, the Company will review its human resource management systems to secure and train personnel needed for global operations.

The Toyobo Group will implement these action plans steadily and aim to create a “strong company,” with growth potential and stable profitability, that can contribute to societies around the world and continue to create new technologies and products.

3. 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 Toyobo 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.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(Millions of yen)

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Assets		
Current assets		
Cash and deposits	19,330	20,550
Notes and accounts receivable - trade	76,826	83,710
Merchandise and finished goods	45,680	50,576
Work in process	14,816	15,942
Raw materials and supplies	14,891	15,865
Deferred tax assets	4,946	4,925
Other	8,507	5,431
Allowance for doubtful accounts	(367)	(391)
Total current assets	184,630	196,607
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,612	48,371
Machinery, equipment and vehicles, net	45,480	45,618
Land	106,736	106,248
Other, net	9,792	9,051
Total property, plant and equipment	209,619	209,289
Intangible assets		
Other	3,029	3,311
Total intangible assets	3,029	3,311
Investments and other assets		
Investment securities	25,309	28,060
Deferred tax assets	17,991	14,019
Net defined benefit asset	10,255	5,019
Other	6,732	10,381
Allowance for doubtful accounts	(1,310)	(877)
Total investments and other assets	58,977	56,602
Total non-current assets	271,625	269,202
Total assets	456,256	465,809

(Millions of yen)

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	50,106	49,173
Short-term loans payable	45,903	40,949
Current portion of long-term loans payable	31,180	14,669
Current portion of bonds	—	10,000
Deposits received	12,277	10,922
Provision for bonuses	4,285	4,108
Other	16,831	16,428
Total current liabilities	160,582	146,250
Non-current liabilities		
Bonds payable	20,000	25,000
Long-term loans payable	70,831	85,425
Deferred tax liabilities for land revaluation	24,691	21,922
Provision for directors' retirement benefits	344	339
Provision for environmental measures	1,577	831
Net defined benefit liability	25,227	17,244
Other	7,888	7,712
Total non-current liabilities	150,558	158,472
Total liabilities	311,141	304,722
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	26,425	32,479
Treasury shares	(378)	(383)
Total shareholders' equity	110,015	116,065
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,954	7,126
Deferred gains or losses on hedges	(2)	(34)
Revaluation reserve for land	41,409	43,920
Foreign currency translation adjustment	(8,864)	(7,460)
Remeasurements of defined benefit plans	(4,203)	(1,628)
Total accumulated other comprehensive income	32,295	41,923
Minority interests	2,805	3,098
Total net assets	145,115	161,087
Total liabilities and net assets	456,256	465,809

(2) Consolidated Statements of Income

(Millions of yen)

	2014 (From April 1, 2013 To March 31, 2014)	2015 (From April 1, 2014 To March 31, 2015)
Net sales	351,577	351,279
Cost of sales	274,602	274,503
Gross profit	76,974	76,775
Selling, general and administrative expenses	55,968	56,195
Operating income	21,006	20,580
Non-operating income		
Dividend income	577	623
Amortization of negative goodwill	838	419
Foreign exchange gains	980	1,215
Other	2,123	1,574
Total non-operating income	4,519	3,832
Non-operating expenses		
Interest expenses	1,583	1,792
Share of loss of entities accounted for using equity method	—	1,102
Amortization of net retirement benefit obligation at transition	1,570	1,569
Salaries paid to dispatched employees	890	882
Other	3,055	2,809
Total non-operating expenses	7,099	8,155
Ordinary income	18,426	16,257
Extraordinary income		
Gain on sales of investment securities	—	362
Reversal of provision for environmental measures	—	798
Gain on bargain purchase	595	—
Total extraordinary income	595	1,160
Extraordinary losses		
Impairment loss	—	766
Loss on disposal of non-current assets	1,626	1,573
Loss on liquidation of subsidiaries and associates	—	869
Loss on restructuring of business	1,138	707
Loss on litigation	1,592	759
Other	795	427
Total extraordinary losses	5,151	5,101
Income before income taxes and minority interests	13,871	12,316
Income taxes - current	2,714	2,999
Income taxes - deferred	2,006	1,026
Total income taxes	4,720	4,024
Income before minority interests	9,150	8,292
Minority interests in income	996	175
Net income	8,154	8,117

Consolidated Statements of Comprehensive Income

(Millions of yen)

	2014 (From April 1, 2013 To March 31, 2014)	2015 (From April 1, 2014 To March 31, 2015)
Income before minority interests	9,150	8,292
Other comprehensive income		
Valuation difference on available-for-sale securities	1,145	3,175
Deferred gains or losses on hedges	70	(32)
Revaluation reserve for land	(13)	2,689
Foreign currency translation adjustment	2,529	1,300
Remeasurements of defined benefit plans, net of tax	—	2,566
Share of other comprehensive income of entities accounted for using equity method	107	193
Total other comprehensive income	3,838	9,891
Comprehensive income	12,988	18,182
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,870	17,891
Comprehensive income attributable to minority interests	1,118	292

(3) Consolidated Statements of Changes in Net Assets

2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	51,730	32,239	21,568	(295)	105,242
Cumulative effects of changes in accounting policies					—
Restated balance	51,730	32,239	21,568	(295)	105,242
Changes of items during period					
Dividends of surplus			(3,110)		(3,110)
Net income			8,154		8,154
Reversal of revaluation reserve for land					
Change of scope of consolidation			(188)	28	(160)
Purchase of treasury shares				(116)	(116)
Disposal of treasury shares				5	5
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	4,856	(83)	4,773
Balance at end of current period	51,730	32,239	26,425	(378)	110,015

	Accumulated other comprehensive income						Minority 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 current period	2,815	(72)	41,422	(11,384)	—	32,782	17,498	155,522
Cumulative effects of changes in accounting policies								—
Restated balance	2,815	(72)	41,422	(11,384)	—	32,782	17,498	155,522
Changes of items during period								
Dividends of surplus								(3,110)
Net income								8,154
Reversal of revaluation reserve for land								
Change of scope of consolidation								(160)
Purchase of treasury shares								(116)
Disposal of treasury shares								5
Net changes of items other than shareholders' equity	1,139	70	(13)	2,520	(4,203)	(487)	(14,693)	(15,180)
Total changes of items during period	1,139	70	(13)	2,520	(4,203)	(487)	(14,693)	(10,407)
Balance at end of current period	3,954	(2)	41,409	(8,864)	(4,203)	32,295	2,805	145,115

2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	51,730	32,239	26,425	(378)	110,015
Cumulative effects of changes in accounting policies			917		917
Restated balance	51,730	32,239	27,342	(378)	110,932
Changes of items during period					
Dividends of surplus			(3,108)		(3,108)
Net income			8,117		8,117
Reversal of revaluation reserve for land			144		144
Change of scope of consolidation			(15)		(15)
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		0		0	1
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	5,138	(5)	5,133
Balance at end of current period	51,730	32,239	32,479	(383)	116,065

	Accumulated other comprehensive income						Minority 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 current period	3,954	(2)	41,409	(8,864)	(4,203)	32,295	2,805	145,115
Cumulative effects of changes in accounting policies								917
Restated balance	3,954	(2)	41,409	(8,864)	(4,203)	32,295	2,805	146,032
Changes of items during period								
Dividends of surplus								(3,108)
Net income								8,117
Reversal of revaluation reserve for land								144
Change of scope of consolidation								(15)
Purchase of treasury shares								(5)
Disposal of treasury shares								1
Net changes of items other than shareholders' equity	3,172	(32)	2,510	1,404	2,574	9,629	293	9,922
Total changes of items during period	3,172	(32)	2,510	1,404	2,574	9,629	293	15,054
Balance at end of current period	7,126	(34)	43,920	(7,460)	(1,628)	41,923	3,098	161,087

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	2014 (From April 1, 2013 To March 31, 2014)	2015 (From April 1, 2014 To March 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	13,871	12,316
Depreciation	14,038	14,916
Amortization of negative goodwill	(1,433)	(419)
Increase (decrease) in allowance for doubtful accounts	48	(425)
Increase (decrease) in net defined benefit liability	908	710
Interest and dividend income	(747)	(818)
Interest expenses	1,583	1,792
Share of (profit) loss of entities accounted for using equity method	(188)	1,102
Impairment loss	—	766
Loss (gain) on sales and disposal of property, plant and equipment, net	1,626	1,683
Loss on liquidation of subsidiaries and associates	—	869
Loss (gain) on sales and valuation of investment securities	528	(263)
Special loss on restructuring of businesses	1,138	707
Loss on litigation	1,592	759
Decrease (increase) in notes and accounts receivable - trade	(100)	(6,215)
Decrease (increase) in inventories	(2,133)	(5,942)
Increase (decrease) in notes and accounts payable - trade	171	(1,064)
Increase (decrease) in net defined benefit asset	(543)	2,212
Other, net	(1,925)	954
Subtotal	<u>28,435</u>	<u>23,642</u>
Payments for loss on litigation	(1,632)	(820)
Income taxes (paid) refund	(2,876)	(2,715)
Net cash provided by (used in) operating activities	<u>23,927</u>	<u>20,107</u>
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(20,346)	(17,949)
Proceeds from sales of property, plant and equipment and intangible assets	177	1,725
Proceeds from sales of investment securities	1,417	255
Payments for investments in capital	(1,016)	(3,565)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,243)	—
Payments of long-term loans receivable	(47)	(2,187)
Interest and dividend income received	758	818
Other, net	81	814
Net cash provided by (used in) investing activities	<u>(22,218)</u>	<u>(20,089)</u>

(Millions of yen)

	2014 (From April 1, 2013 To March 31, 2014)	2015 (From April 1, 2014 To March 31, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,820)	(5,310)
Proceeds from long-term loans payable	50,460	29,623
Repayments of long-term loans payable	(22,969)	(31,689)
Payment for retirement by preferred securities	(15,330)	—
Proceeds from issuance of bonds	—	15,000
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(8)	(6)
Proceeds from sales of treasury shares	5	—
Repayments of finance lease obligations	(1,600)	(1,926)
Interest expenses paid	(1,801)	(1,775)
Cash dividends paid	(3,110)	(3,115)
Cash dividends paid to minority shareholders	(666)	(5)
Net cash provided by (used in) financing activities	<u>(10,839)</u>	<u>797</u>
Effect of exchange rate change on cash and cash equivalents	698	373
Net increase (decrease) in cash and cash equivalents	<u>(8,433)</u>	<u>1,187</u>
Cash and cash equivalents at beginning of period	26,467	19,177
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	1,103	19
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	40	6
Cash and cash equivalents at end of period	<u>19,177</u>	<u>20,389</u>

Segment Information

a) Segment Information

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 business headquarters and business divisions within the head office, separated by the type, nature and market for products and services. Each business headquarters and business division formulates comprehensive strategies for its domestic and overseas operations, and conducts business activities.

Accordingly, Toyobo comprises business segments by product and service. Its five reportable segments are "Films and Functional Polymers," "Industrial Materials," "Life Science," "Textiles" and "Real Estate." The "Films and Functional Polymers" segment manufactures and sells packaging films, industrial films, industrial adhesives, engineering plastics, photo functional materials. The "Industrial Materials" segment manufactures and sells fiber materials for automotive applications, high-performance fibers, functional filters, VOC emissions treatment equipment and systems, non-woven fabrics and other products. The "Life Science" segment manufactures and sells bio-products such as enzymes for diagnostics, contract manufacturing of pharmaceuticals, medical-use membranes, medical equipment and equipment devices, water treatment membranes, and other products. The "Textiles" segment manufactures and sells functional textiles, apparel products, apparel textiles, apparel fibers, and other products. The "Real Estate" segment leases and manages real estate properties.

ii) Segment sales and operating income

[Fiscal Year ended March 31, 2014]

(Millions of yen)

	Segment to be reported						Other Business- ses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Total				
Net Sales										
(1) Outside customers	148,000	71,704	27,344	79,089	3,670	329,806	21,770	351,577	—	351,577
(2) Inter-segment sales and transfers	29	283	83	180	1,224	1,799	14,499	16,298	(16,298)	—
Total	148,029	71,987	27,427	79,269	4,894	331,606	36,269	367,875	(16,298)	351,577
Operating Income	7,794	5,501	5,140	2,952	1,722	23,109	1,010	24,119	(3,113)	21,006
Assets	153,197	67,420	30,619	73,225	47,210	371,671	19,374	391,046	65,210	456,256
Others										
Depreciation and Amortization	6,744	2,041	1,774	1,938	439	12,935	349	13,284	754	14,038
Capital Expenditure	9,242	3,618	3,044	2,096	322	18,322	445	18,766	1,308	20,074

Note: 1. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.

2. Includes segment income adjustment of (¥3,113) million, eliminations of inter segment transactions of (¥ 393) million, and companywide expenses that are not allocated across reporting segments of (¥2,720) million. The principal components of companywide expenses are those related to basic research and development.

3. Segment income has been adjusted with operating income on the consolidated financial statements.

[Fiscal Year ended March 31, 2015]

(Millions of yen)

	Segment to be reported						Other Busines- ses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Total				
Net Sales										
(1) Outside customers	149,640	67,913	28,674	76,873	3,642	326,744	24,535	351,279	—	351,279
(2) Inter-segment sales and transfers	0	317	85	128	1,148	1,678	10,981	12,659	(12,659)	—
Total	149,641	68,231	28,759	77,001	4,790	328,422	35,517	363,938	(12,659)	351,279
Operating Income	7,577	6,012	5,028	2,389	1,732	22,739	926	23,665	(3,085)	20,580
Assets	151,184	70,856	33,221	77,368	47,851	380,480	21,496	401,976	63,833	465,809
Others										
Depreciation and Amortization	7,385	1,919	2,089	1,666	710	13,769	399	14,168	749	14,916
Capital Expenditure	4,586	2,851	4,043	2,403	1,709	15,591	365	15,956	1,535	17,491

Note: 1. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.

2. Includes segment income adjustment of (¥3,085) million, eliminations of inter segment transactions of (¥ 291) million, and companywide expenses that are not allocated across reporting segments of (¥2,794) million. The principal components of companywide expenses are those related to basic research and development.

3. Segment income has been adjusted with operating income on the consolidated financial statements.