



*Ideas & Chemistry*

# Presentation to Investors



Catalyzing the Unimagined

想像を超える化学反応を。



*Ideas & Chemistry*

[www.toyo.co.jp](http://www.toyo.co.jp)

**Seiji Narahara**  
**President**

**Toyobo Co., Ltd.**

**May 11, 2018**  
**(Analysts' Meeting)**

# Agenda

- I . Results for FY 3/18**
- II . A Review of the 2014  
Medium-Term Management Plan**
- III . Forecasts for FY 3/19**
- IV . The 2018 Medium-Term  
Management Plan**

## I . Results for FY 3/18

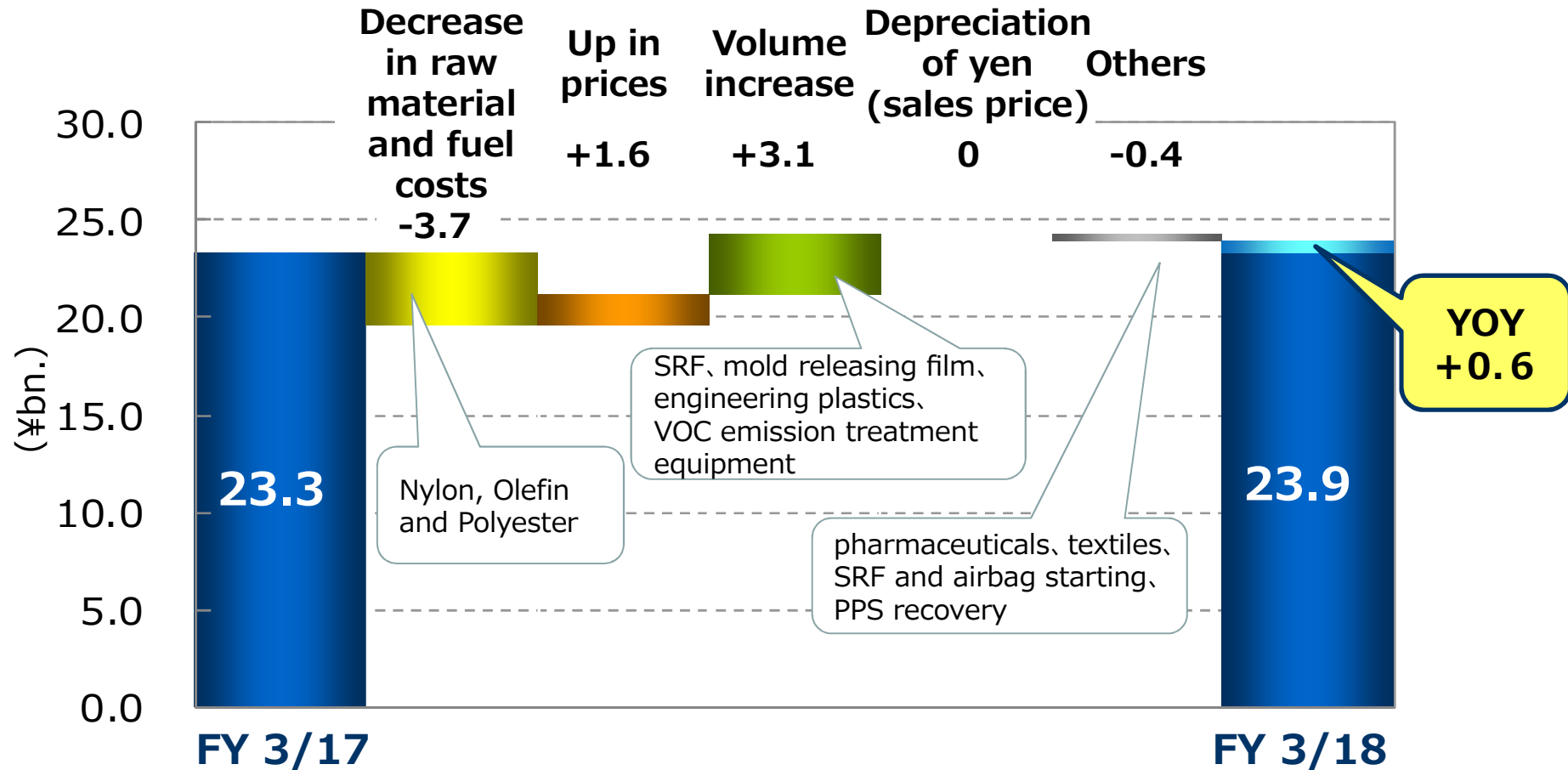
## Highlights

- Operating profit was ¥23.9 billion (up 2.5%), but did not reach ¥25.0 billion as planned.
- Large impact of higher materials and fuel prices. In addition, pharmaceuticals and apparel textiles struggled.
- COSMOSHINE SRF,™ mold releasing film for ceramic capacitors and airbag fabrics were entering the growing stage.
- The D/E ratio, a challenge to the Company, reached 0.81 (Medium-Term Management Plan < 1.0).

(¥ bn.)

	FY 3/17 result	FY 3/18		Change('16→'17) %
		plan	result	
Net sales	329.5	340.0	331.1	+0.5
Operating profit	23.3	25.0	23.9	+2.5
Profit attributable to owners of parent	9.4	13.5	13.0	+38.1
D/E ratio	1.01	<1.0	0.81	-

# Analysis of Changes in Operating Profit



	FY 3/17			FY 3/18		
	H1	H2		H1	H2	
Exchange rate (¥/US\$)	105	112	109	111	111	111
Naphtha price in Japan (thousand ¥/kl)	32	38	35	38	46	42



## Results for FY 3/18 PL·CF

	FY 3/17 result	FY 3/18		Change('16→'17)	
		plan	result	amount	%
Net sales	329.5	340.0	331.1	+1.7	+0.5
Operating profit	23.3	25.0	23.9	+0.6	+2.5
(Ratio to sales)	7.1%	7.4%	7.2%	-	-
Ordinary profit	20.7	23.0	20.4	-0.2	-1.1
Extraordinary income	0.5	0.0	11.5	+11.0	+2,350
Extraordinary losses	7.2	3.2	13.7	+6.5	+90.6
Profit attributable to owners of parent	9.4	13.5	13.0	+3.6	+38.1
EPS (¥) ※	106.4	152.1	146.9	-	-
Depreciation	14.9	15.5	15.7	+0.7	+4.9
CAPEX	18.4	19.0	21.3	+2.9	+15.8
Operating CF	26.9	-	22.4	-4.5	-16.8
ROE	5.8%	-	7.5%	-	-

(¥ bn.)

## ■ Extraordinary income

- Gain on sales of the Toyobo Building  
¥10.4 bn.

## ■ Extraordinary losses

- Settlement of Zylon litigation  
¥7.4 bn.

Exchange rate (¥/US\$)	109	110	111	-	-
Naphtha price in Japan (thousand ¥/kl)	35	42	42	-	-

※ Figures after consolidation of shares.

## Results for FY 3/18 BS

	(A)	(B)	(¥ bn.)	
	Mar. 31, 2014	Mar. 31, 2017	Mar. 31, 2018	Change (A)→(B)
Total assets	456.3	450.8	446.2	-4.6
Cash and deposits	19.3	32.3	26.0	-6.3
Inventories	75.4	72.8	71.3	-1.5
Net assets	145.1	170.9	184.5	+13.6
Shareholder's equity	142.3	167.8	180.6	+12.8
(Retained earnings)	26.4	45.9	56.1	+10.2
Non-controlling interests	2.8	3.1	4.0	+0.8
Interests-bearing debt	170.7	169.2	145.6	-23.6
D/E ratio	1.20	1.01	0.81	-

■ D/E ratio:  
Achieved  
medium-term  
target of <1.0

## ■ Rating

JCR	A-	→	A
R&I	BBB+	→	A-

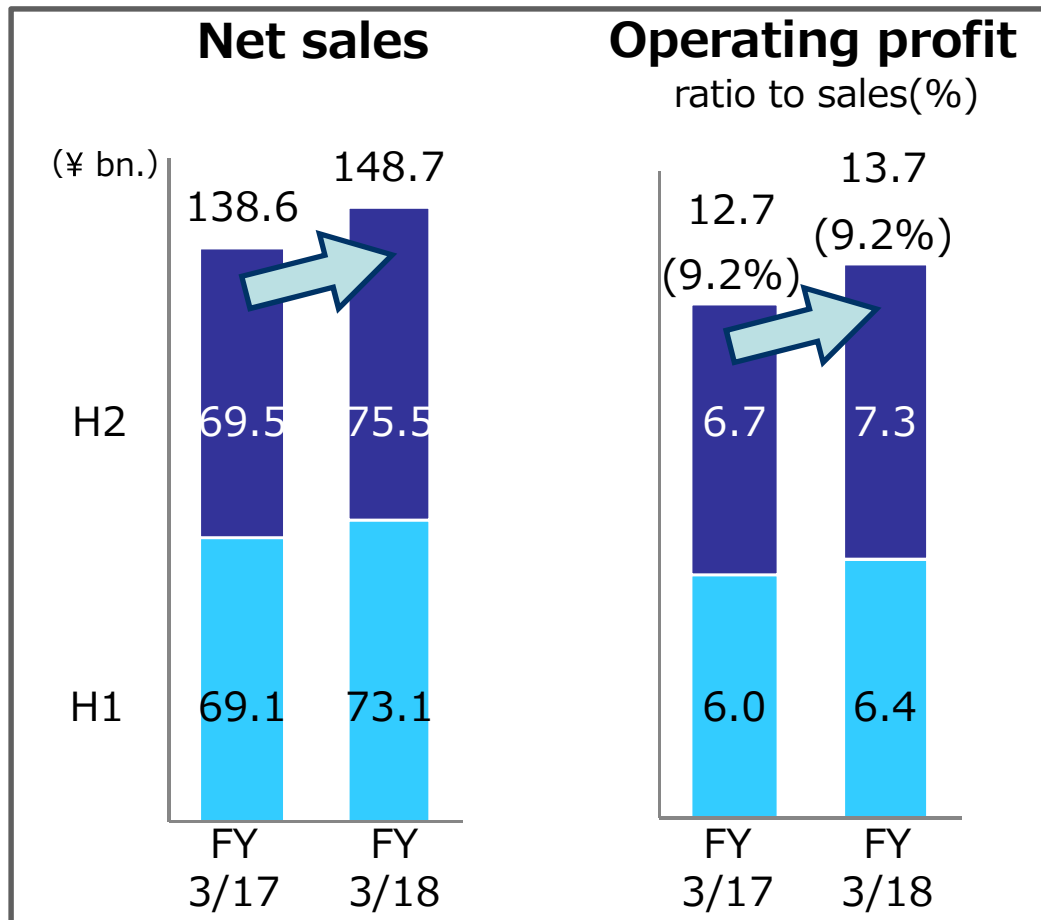
# Results by Segment

(¥ bn.)

	Net sales			Operating profit (loss)			
	FY 3/17	FY 3/18		FY 3/17	FY 3/18		YOY ('16→'17)
	result	plan	result	result	plan	result	
Films & Functional Polymers	138.6	148.0	148.7	12.7	14.7	13.7	+1.0
Industrial Materials	59.9	61.9	63.5	3.9	4.3	4.3	+0.4
Healthcare	36.4	40.9	35.7	5.2	5.2	5.2	-0.1
Textiles and Trading	77.6	74.3	68.3	1.1	0.7	0.6	-0.4
Real Estate and Others	17.0	14.9	15.0	3.3	2.7	2.8	-0.5
Elimination & Corporate	-	-	-	-2.9	-2.6	-2.7	+0.2
<b>Total</b>	<b>329.5</b>	<b>340.0</b>	<b>331.1</b>	<b>23.3</b>	<b>25.0</b>	<b>23.9</b>	<b>+0.6</b>

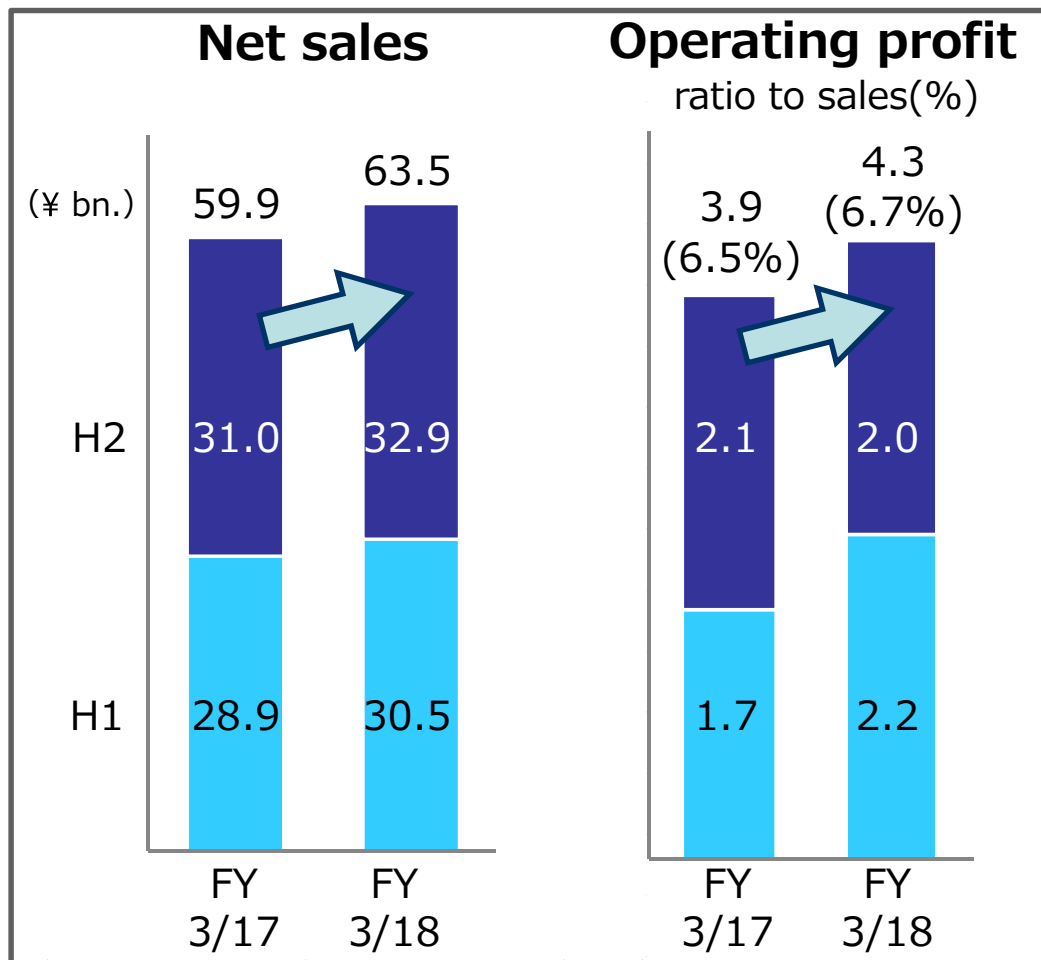


# Films & Functional Polymers



- Packaging films were struggling due to larger than expected increases in raw materials and fuel prices.
- For the Industrial films business, sales of “COSMOSHINE SRF” and mold releasing films for ceramic capacitors expanded.
- Expanded sales of functional polymers both domestically and overseas.

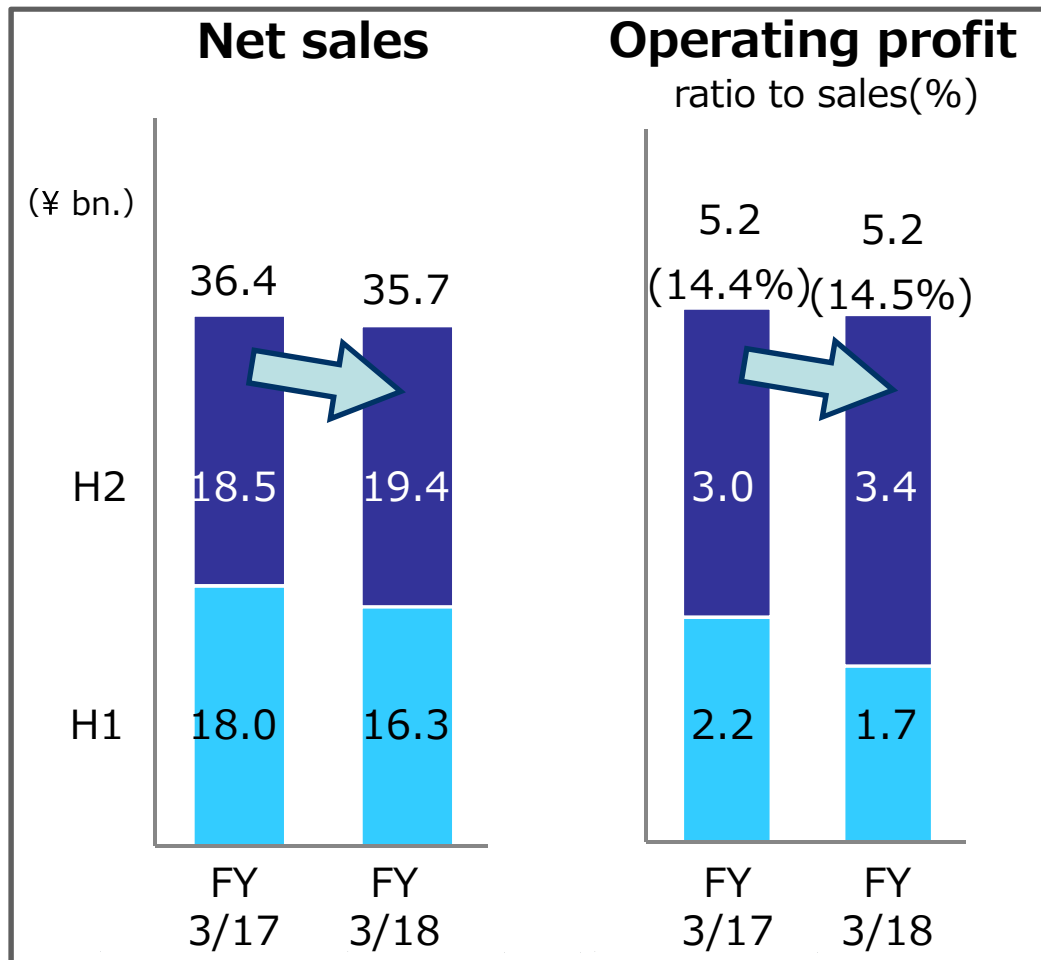
# Industrial Materials



- Started full-scale production of airbag fabrics at overseas locations.

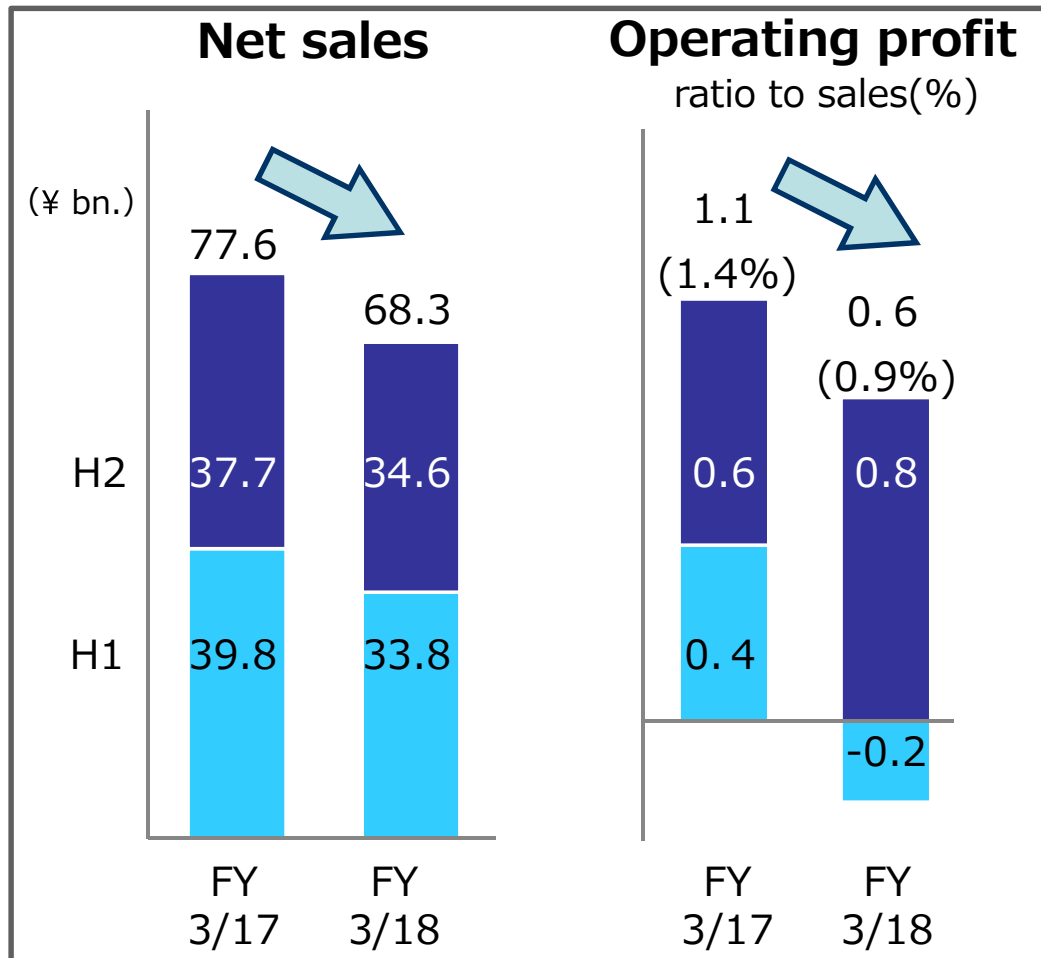
- Sales recovered for PPS materials for filter bag.

# Healthcare



- Further expanded sales of enzymes for diagnostic reagents and reagents for life sciences overseas.
- Affected by processing of expenses for GMP contract manufacturing business of pharmaceuticals.

# Textiles and Trading

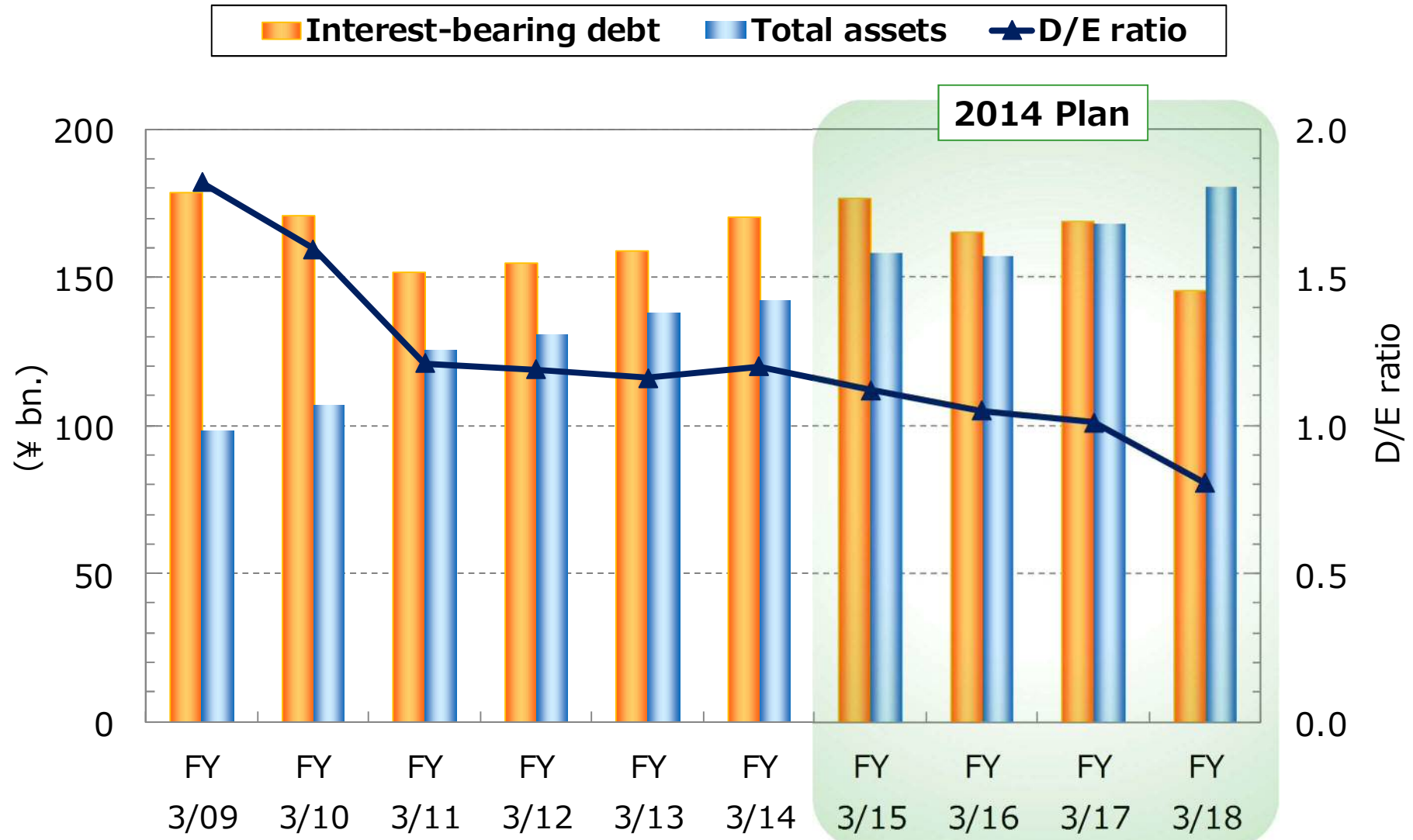


- Sales of thoub cloth in the Middle East were weak due to worsening market conditions.
- Sales of sports garments affected by disposition of inventory.

## **II . A Review of the 2014 Medium-Term Management Plan**

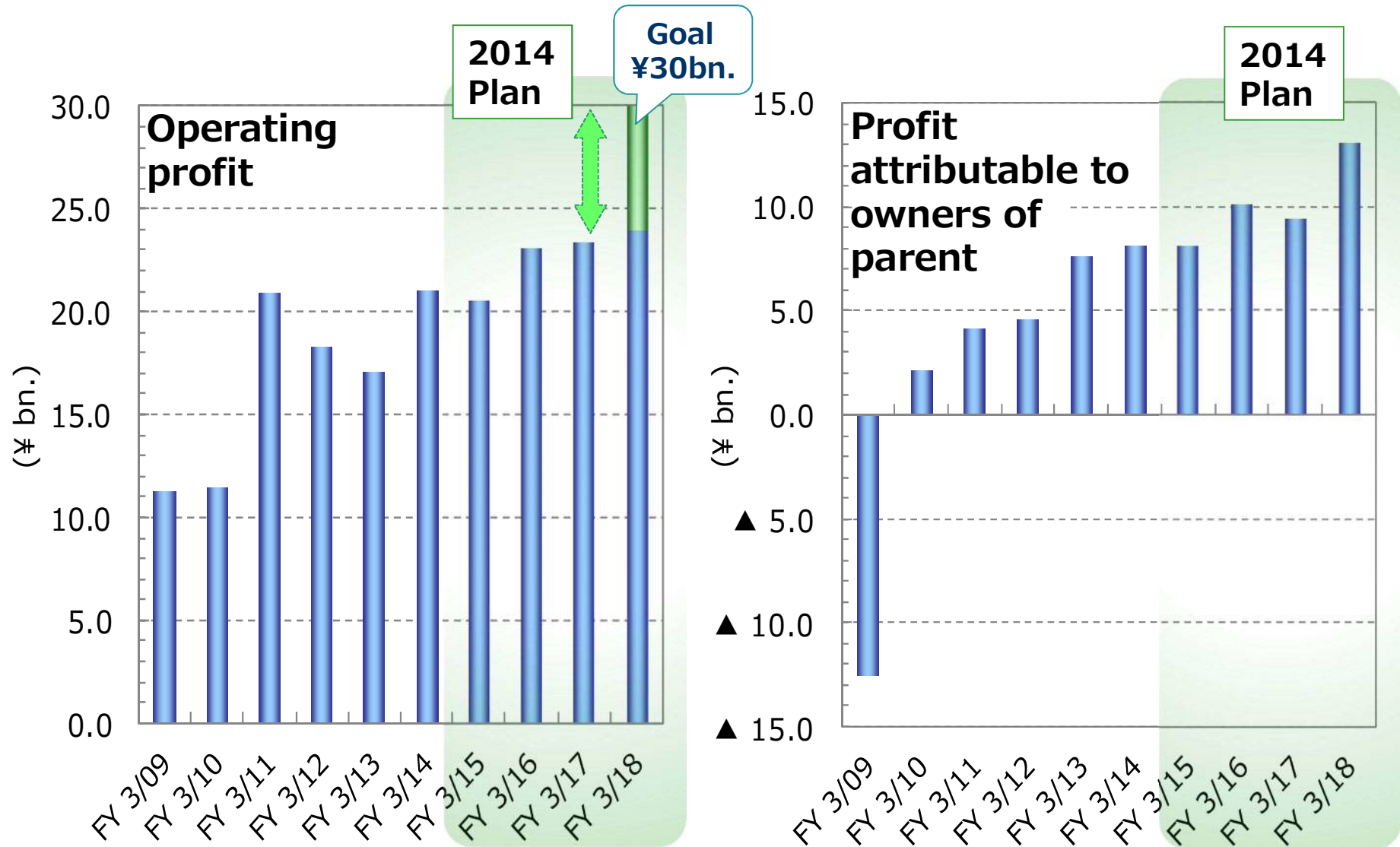
## II. A Review of the 2014 Mid-Term Management Plan

# Financial Standing



## II. A Review of the 2014 Mid-Term Management Plan

# Profit



## II. A Review of the 2014 Mid-Term Management Plan

### Growth Drivers

#### ■ Accelerating overseas business

•2014, acquired the PHP Fibers GmbH and 5 business sites around the world

##### ● Airbag Fabrics

• **Integrated production** system from yarn to fabric  
• Acquisition of certifications for overseas customers,  
aim for **30% share of world market for fabric**



##### ● Engineering Plastics

•14 overseas sales offices  
•Expand sales to overseas sales ratio of **approximately 50%**

● **Packaging Film** • Establish **a joint venture in Indonesia** to develop overseas business

#### ■ Developing new products and creating new business

##### ● “COSMOSHINE SRF”

•Protective film for LCD TV polarizer  
•To a world-wide share of **approximately 20%**



##### ● “Nerbridge”

•Steadily increase the number of cases of successful  
applications of a conduit for peripheral nerve regeneration  
•Obtained FDA approval. **Decide on an American partner**

##### ● “XENOMAX”

•Highly heat-resistant polyimide film with superior dimensional stability  
•Establish **a joint venture** with Nagase & Co., Ltd., aim for ¥10 billion  
business



## Re-build compliance system

### ■ Contents of legal violations

#### ◇ Antimonopoly Law violation relating to subsidiary's sales of uniforms

- Sept. 2016 Regarding deliveries of uniforms to East Japan Railway Company and West Japan Railway Company, on the spot inspection by the Japan Fair Trade Commission
- Jan. 2018 Japan Fair Trade Commission determined that there was a violation of the Antimonopoly Law so issued a cease and desist order and order for payment of surcharge  
Surcharge: total of ¥3.9 million (paid)

### ■ Measures to prevent recurrence

- ◇ Re-building of compliance system
- ◇ Enhancement of compliance committee, establishment of compliance department
- ◇ Carry out training on the Antimonopoly Law for management, sales and purchasing staff

### **III. Forecasts for FY 3/19**

## Forecasts for FY 3/19

Despite expectation of expansion in airbag fabrics and industrial film, operating profit forecast to be ¥25.0 billion, factoring in high raw material and fuel prices and advance investment for the future.

	FY 3/18 result	FY 3/19 forecasts	Change('17→'18) (¥ bn.)	
			amount	%
Net sales	331.1	340.0	+8.9	+2.7
Operating profit	23.9	25.0	+1.1	+4.5
(Ratio to sales)	7.2%	7.4%	-	-
Ordinary profit	20.4	21.5	+1.1	+5.3
Profit attributable to owners of parent	13.0	13.0	-0.0	-0.3
EPS (¥)	146.9	146.4	-	-
Depreciation	15.7	15.5	-0.2	-
CAPEX	21.3	24.0	+2.7	-

Exchange rate (¥/US\$)

111

110

Naphtha price in Japan (thousand ¥/kl)

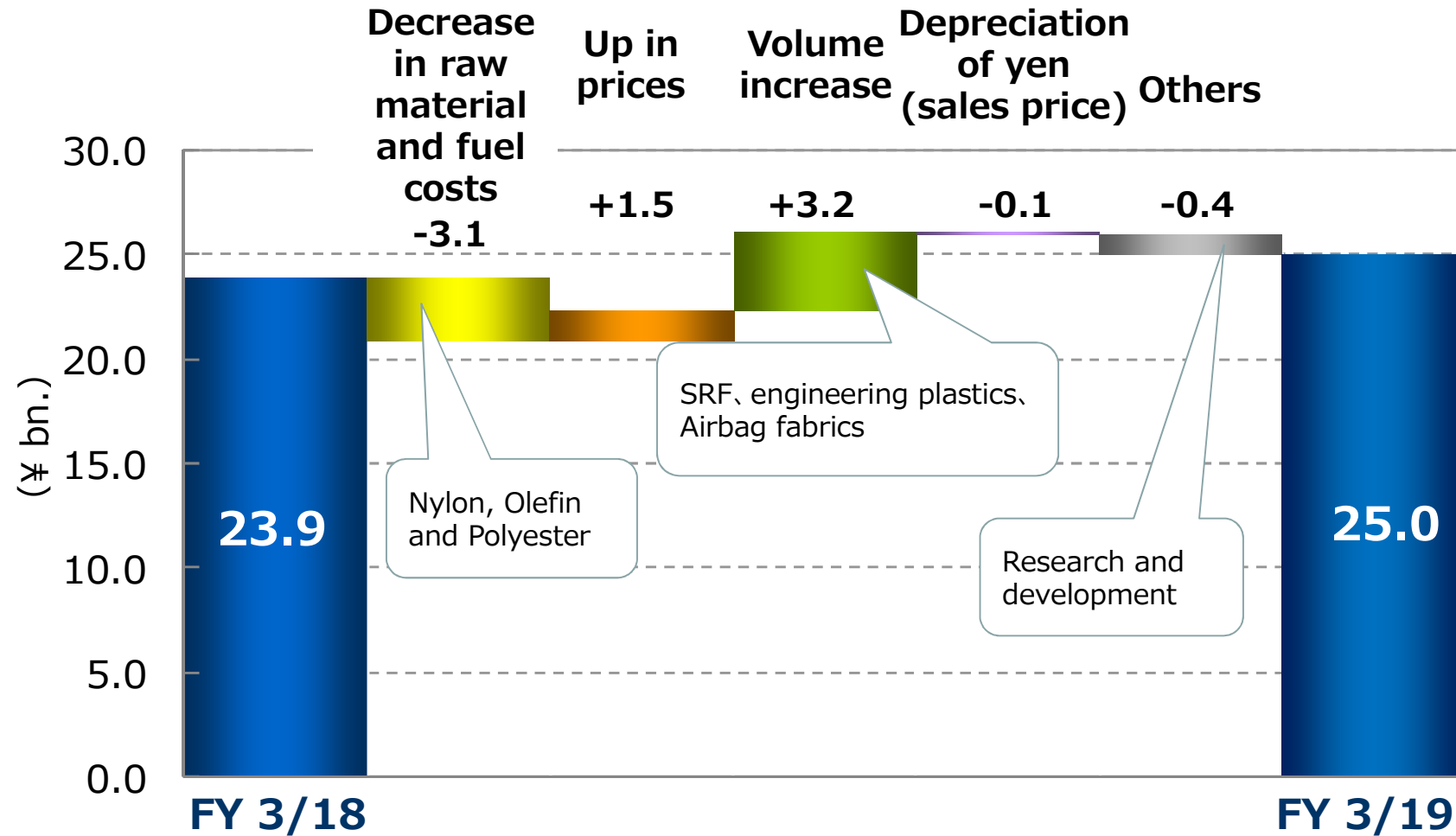
42

48

19



# Analysis of Changes in Operating Profit



	FY 3/18	FY 3/19
Exchange rate (¥/US\$)	111	110
Naphtha price in Japan (thousand¥/kl)	42	48

## Forecasts by Segment

(¥ bn.)

	Net Sales		Operating Profit		
	FY 3/18 result	FY 3/19 forecasts	FY 3/18 result	FY 3/19 forecasts	Change ('17→'18)
Films & Functional Polymers	148.7	154.0	13.7	14.7	+1.0
Industrial Materials	63.5	67.0	4.3	4.9	+0.6
Healthcare	35.7	37.0	5.2	5.5	+0.3
Textile and Trading	68.3	68.0	0.6	0.6	-0.0
Real Estate and Others	15.0	14.0	2.8	2.3	-0.5
Elimination & Corporate	-	-	-2.7	-3.0	-0.3
<b>Total</b>	<b>331.1</b>	<b>340.0</b>	<b>23.9</b>	<b>25.0</b>	<b>+1.1</b>

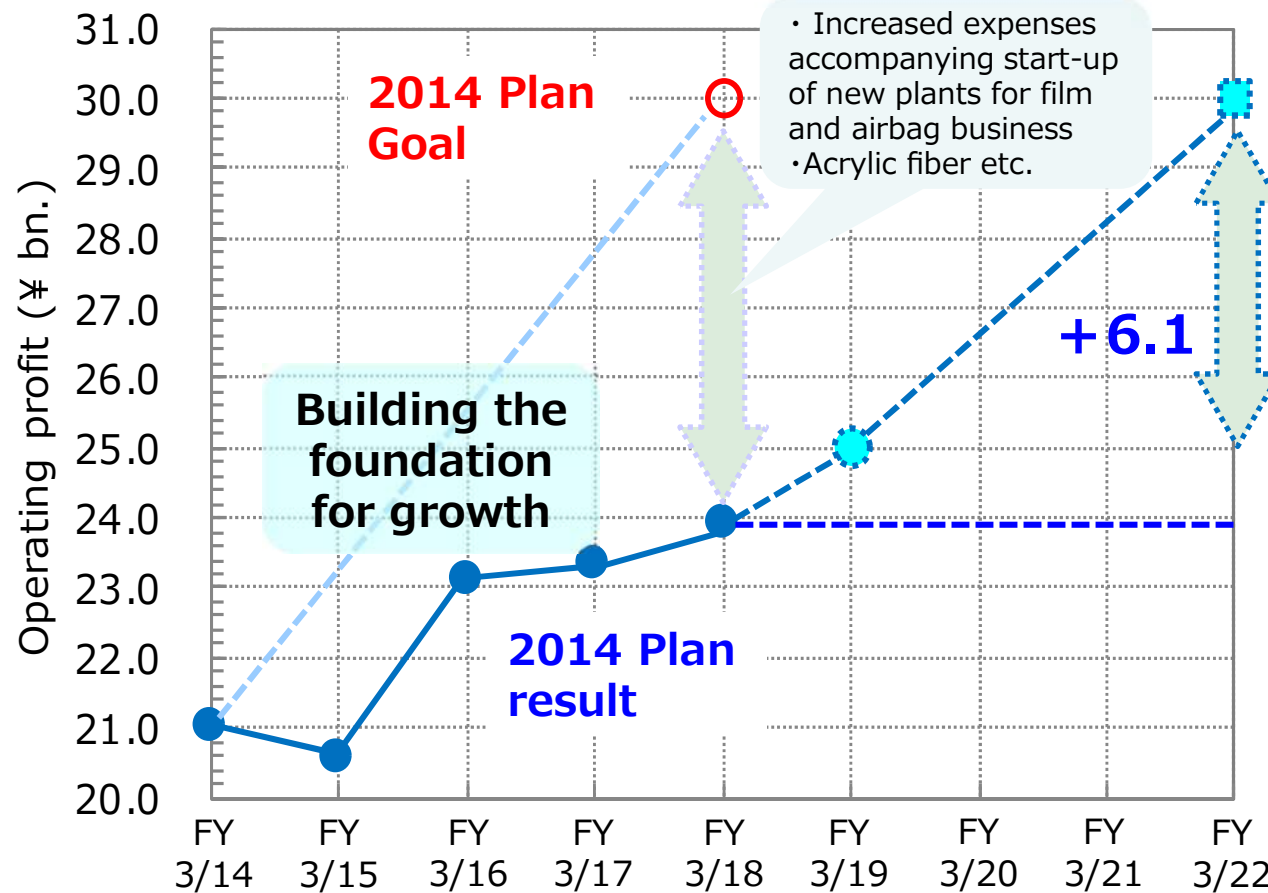
## **IV. The 2018 Medium-Term Management Plan**

# IV. The 2018 Mid-Term Management Plan

## The 2018 Mid-Term Management Plan

**Try again to achieve operating profit of ¥30 billion**

Continuous reform of business portfolio



**2018 Plan Goal**

• Increased expenses accompanying start-up of new plants for film and airbag business  
• Acrylic fiber etc.

Building the foundation for growth

**+6.1**

**<Growth Drivers>**

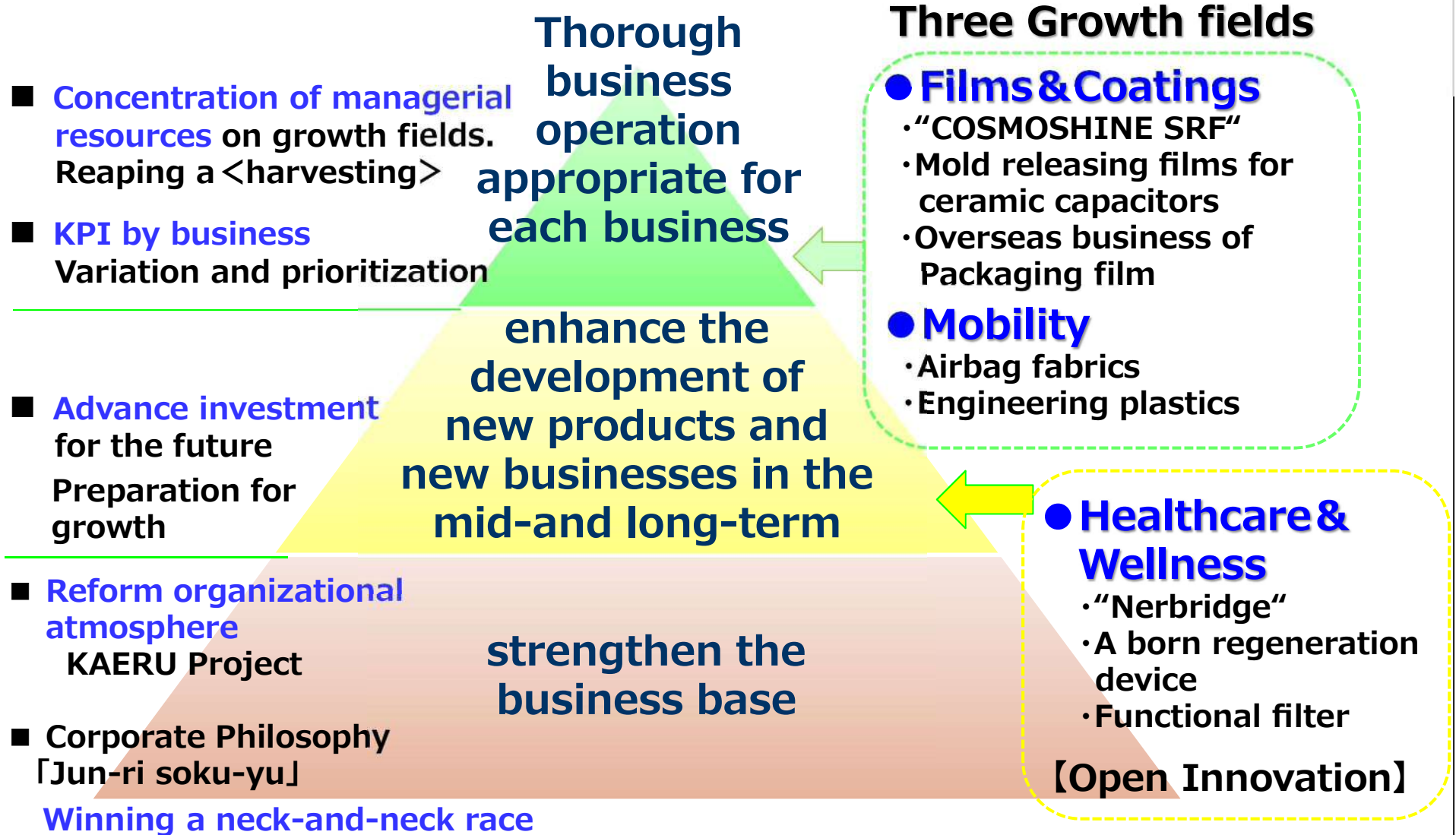
- Industrial film
- Packaging film (overseas)
- Engineering Plastics
- Airbag Fabrics
- Functional Filter etc.

**<Investment for growth>**

**<Reform the business portfolio>**

**Major measures**

**3 piece pie philosophy**





## IV. The 2018 Mid-Term Management Plan

### Goals

	FY 3/18 result	FY 3/22 goal	Change (‘17→‘21)
Net sales	331.1	375.0	+43.9
overseas sales	96.1	131.5	+35.4
(ratio to sales)	29%	35%	—
Operating profit	23.9	30.0	+6.1
(ratio to sales)	7.2%	8.0%	—
Profit attributable to owners of parent	13.0	16.0	+3.0
ROE	7.5%	>8.0%	—
D/E ratio	0.81	<1.0	—

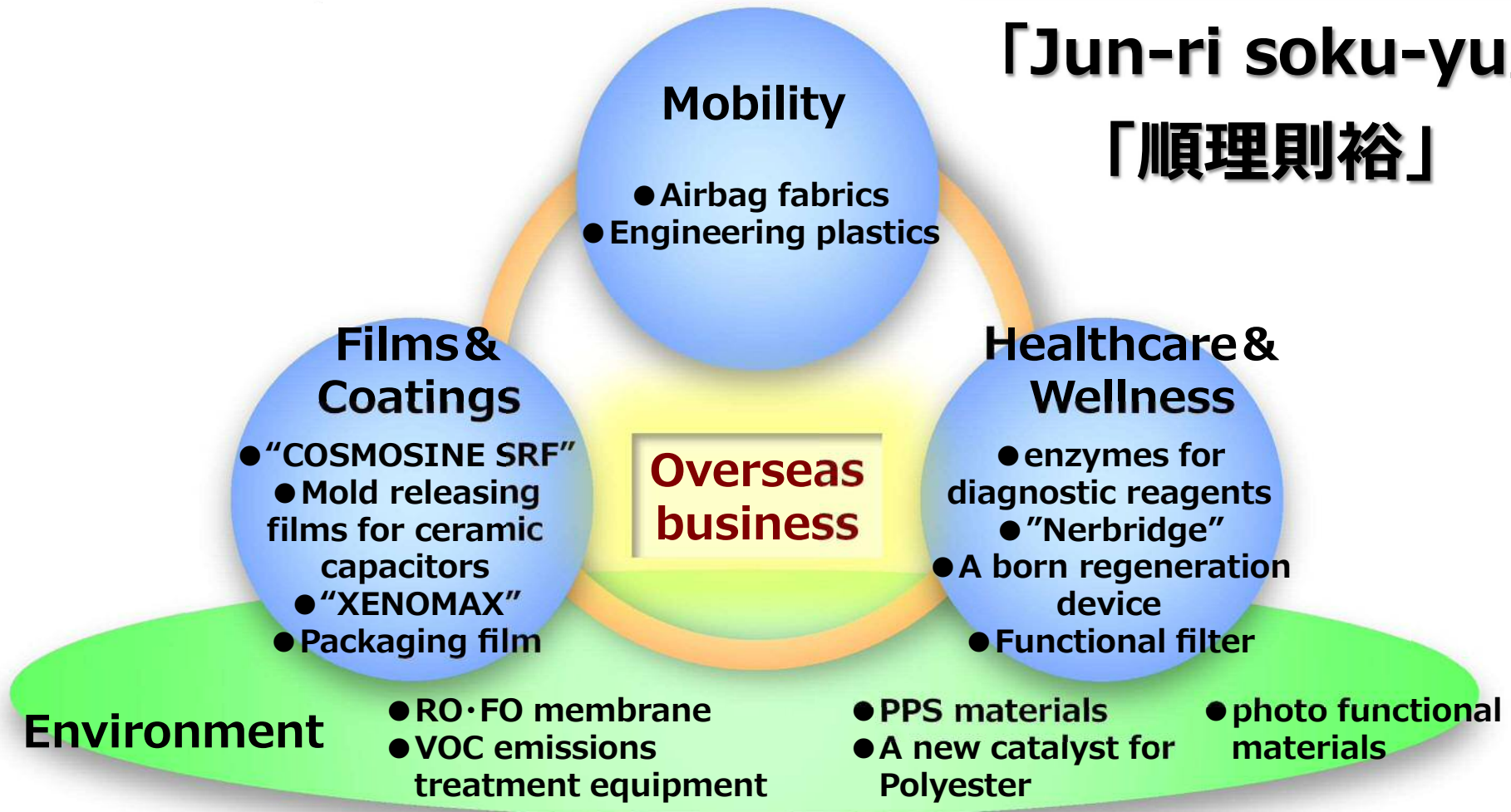
	Net sales		
	FY 3/18 result	FY 3/22 goal	Change (‘17→‘21)
Films & Functional Polymers	148.7	175.0	+26.3
Industrial Materials	63.5	79.0	+15.5
Healthcare	35.7	46.0	+10.3
Textile and Trading	68.3	61.0	-7.3
Real Estate and Others	15.0	14.0	-1.0
Elimination & Corporate	-	-	-
<b>Total</b>	<b>331.1</b>	<b>375.0</b>	<b>+43.9</b>

(¥ bn.)

## IV. The 2018 Mid-Term Management Plan

### Creation of value that contributes to society

「Jun-ri soku-yu」  
「順理則裕」



~ Creating Shared Value (CSV) ~

Continue to create value that contributes to the environment, healthcare, high function, and society



## Please Note

The business performance forecasts and targets included in the business plans contained in this presentation are based on information known to the Company's management as of the day of presentation. Please be aware that the content of the future forecasts may differ significantly from actual results, due to a number of unforeseeable factors.

Toyobo Co., Ltd.

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